

TOWN OF ADAMS, MASSACHUSETTS

**Financial Statements and
Supplementary Information**

June 30, 2017

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TOWN OF ADAMS, MASSACHUSETTS

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Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen of
TOWN OF ADAMS, MASSACHUSETTS

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Adams, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Adams, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Because of the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities" paragraph below, we were not able to obtain sufficient audit evidence to provide a basis for an audit opinion on the governmental activities.

We believe however, that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions on the major funds and the aggregate remaining fund information as follows:

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
<i>Government-wide Financial Statements</i>	
Governmental Activities	Disclaimer
<i>Fund Financial Statements</i>	
Governmental Funds	Unmodified
Fiduciary Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Governmental Activities

The Adams Contributory Retirement System did not provide certain audited reports and schedules that the Governmental Accounting Standards Board considers necessary to support the Town's share of the System's net pension liability and deferred outflows of resources. Consequently, we were unable to accumulate sufficient appropriate audit evidence necessary to support the net pension liability of \$8,133,043 and deferred outflows of resources of \$2,525,764 reported in the government-wide Statement of Net Position and pension expense of \$1,025,942 reported in the government-wide Statement of Activities for the year ended June 30, 2017.

Disclaimer of Opinion on Governmental Activities

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Town's governmental activities. Accordingly, we do not express an opinion on the Town's government-wide financial statements.

Unmodified Opinions

In our opinion, the fund financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds, each major fund, and the aggregate remaining fund information of the Town of Adams, Massachusetts as of June 30, 2017, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 6, the schedule of other postemployment benefits funding progress information on page 34, and the schedule of the Town's proportionate share of net pension liability and pension contributions on page 35, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Adams, Massachusetts' basic financial statements. The combining statement of revenues, expenditures and changes in fund balances for special revenue and trust funds, schedule of taxes receivable and reconciliation of treasurer's cash are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 26, 2018 on our consideration of the Town of Adams, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Adams, Massachusetts' internal control over financial reporting and compliance.

Adelson + Company PC
ADELSON & COMPANY PC
Pittsfield, MA

February 26, 2018

TOWN OF ADAMS, MASSACHUSETTS

Management's Discussion and Analysis

For the Year Ended June 30, 2017

As management of the Town of Adams, Massachusetts (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, 2017. Readers should consider, as a whole, the information presented here along with the Town's basic financial statements that follow this section.

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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

In accordance with Governmental Accounting Standard Board statement number 34, the Town is presenting comparative data in the Management's Discussion and Analysis. This will aid the reader in analysis comparisons with other similar municipalities.

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 and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is increasing or decreasing.

The *statement of activities* presents information showing how the government's net position changed during the current 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 (i.e., uncollected taxes and earned but unused vacation leave).

Both of 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. The governmental activities of the Town include General Government, Community Development, Public Safety, Education, Public Works, Health and Human Services, Culture and Recreation, Parks and Cemetery activities. The Town does not currently maintain any business-type activities. The Town does not provide for solid waste disposal but does maintain a transfer station to provide residents with the ability to recycle paper, glass and cans at no or low cost along with scheduled bulky waste collections days for items such as appliances, furniture and yard waste. Collection of some hazardous material is conducted annually. The Town participates in the Northern Berkshire Solid Waste District to distribute recyclables to their ultimate destination and to dispose of the other items collected. A scrap metal recycling program has been implemented with much success. Initially, revenue from the scrap metal has been high and it is hoped that some expenses of the Recycling Center will be offset in the future. The government-wide financial statements can be found on pages 7 - 8 of this report.

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 two categories: governmental 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. The focus of governmental funds is, however, narrower than that of the government-wide financial statements. It may be useful for the reader to comparatively address the information presented for governmental funds with the similar information presented for the government-wide financial statements. This may give a better understanding of managements 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 of Adams maintains thirty-four (34) governmental and special revenue funds in addition to a Community Development department fund. 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 funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund at an Annual Town Meeting. A budget to actual expenditures comparison statement has been provided for the general fund to demonstrate compliance with this budget which can be found on page 12 of this report.

The basic governmental fund financial statements can be found on pages 9 - 10 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Towns' own programs. Fiduciary funds provide the same type of information as the government fund financial statements provide.

The basic fiduciary fund financial statements can be found on pages 13 - 14 of this report.

Notes to the financial statements and supplementary information

The notes and supplementary information provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes and supplementary information can be found on pages 15 - 43 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities by \$7,032,882 at the close of the most recent fiscal year. This represents a decrease in net position over the prior fiscal year of \$(1,144,393).

The largest portion of the Town's net position is \$13,300,754, which reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets are 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.

The Adams Contributory Retirement System did not provide certain audited reports and schedules that the Governmental Accounting Standards Board considers necessary to support the Town's share of the System's net pension liability of \$8,133,043, deferred outflows of resources (asset) of \$2,525,764, and related pension expense of \$1,025,942. Because of the significance of the this matter, the Town received a disclaimer of opinion on the government-wide Statement of Net Position and Statement of Activities for year end June 30, 2017. See Independent Auditors' Report on pages 3 - 5 for further information.

TOWN OF ADAMS

Summary Statement of Net Position

June 30,

	2017	2016	Change
Cash and cash equivalents	\$ 5,076,873	\$ 4,311,352	\$ 765,521
Cash - restricted	479,830	476,310	3,520
Receivables and other current assets	1,395,304	1,280,317	114,987
Capital assets	16,571,624	17,154,289	(582,665)
Deferred outflows related to pensions	2,525,764	2,056,392	469,372
Total assets and deferred outflows of resources	26,049,395	25,278,660	770,735
Current liabilities	510,691	319,543	191,148
Long-term debt	3,224,392	3,701,824	(477,432)
Capital leases payable	46,478	92,956	(46,478)
Retirement settlement payable	67,708	83,958	(16,250)
Compensated absences	544,201	525,375	18,826
Net pension liability	8,133,043	6,637,729	1,495,314
Postemployment benefits other than pensions	6,490,000	5,740,000	750,000
Total liabilities	19,016,513	17,101,385	1,915,128
Invested in capital assets, net of related debt	13,300,754	13,359,508	(58,754)
Restricted	1,670,425	1,592,581	77,844
Unrestricted (deficit)	(7,938,297)	(6,774,814)	(1,163,483)
Total net position	\$ 7,032,882	\$ 8,177,275	\$ (1,144,393)

Statement of Activities

The Statement of Activities reflects total operating expenses for the Town as \$17,577,909 for all activities. Program and general revenues totaled \$16,443,516 for all activities. The Town also transferred \$10,000 to the Other Postemployment Benefits Liability Trust Fund (fiduciary fund). The net change result of \$(1,144,393) is a decrease in net position.

TOWN OF ADAMS**Summary Statement of Activities****June 30,**

	2017	2016	Change
Revenues:			
Taxes	\$ 12,355,244	\$ 11,735,179	\$ 620,065
Charges for services	245,544	285,494	(39,950)
Grants and contributions	1,034,812	957,849	76,963
Intergovernmental revenue (state aid)	2,462,287	2,368,651	93,636
Penalties and interest	131,554	99,953	31,601
Earnings on invested funds	7,479	6,584	895
Other revenues	206,596	210,563	(3,967)
Total revenues	16,443,516	15,664,273	779,243
Expenses:			
General Government	1,532,436	1,437,263	95,173
Community Development	497,709	750,511	(252,802)
Public Safety	2,007,421	1,862,043	145,378
Education	6,252,350	6,309,915	(57,565)
Public Works, Buildings, Highways and Streets	3,291,278	2,646,084	645,194
Health and Human Services	561,370	570,860	(9,490)
Library	304,908	297,656	7,252
Retirement and employee benefits	2,888,586	2,148,348	740,238
State and county assessments	40,852	40,445	407
Cultural and Recreation	51,726	30,578	21,148
Cemeteries, Parks and Other	50,785	51,437	(652)
Interest on long-term debt	98,488	107,222	(8,734)
Total expenses	17,577,909	16,252,362	1,325,547
Transfer out - OPEB Liability Trust Fund	(10,000)	(10,000)	---
Increase (decrease) in net position	(1,144,393)	(598,089)	(546,304)
Net position, beginning	8,177,275	8,775,364	(598,089)
Net position, ending	\$ 7,032,882	\$ 8,177,275	\$ (1,144,393)

Key elements of this increase are as follows:

Major revenue factors included:

- Seventy-five (75%) percent of the revenues of the Town were derived from taxes (real estate tax and excise taxes), followed by fifteen percent (15%) from state aid, six percent (6%) from operating and capital grants, two percent (2%) from charges for services, and two percent (2%) from other revenues and earnings on invested funds.
- Property tax revenues recorded for the fiscal year ended June 30, 2017 reflects a decrease in the Town's residential tax rate to \$21.37 and a decrease in the commercial tax rate to \$24.55. The tax rate decreased slightly over the 2016 fiscal year due to an influx of residential valuations realized from a ten year re-evaluation. This same re-evaluation also resulted in a decrease in the Commercial, Industrial and Personal Property values. Fiscal year 2017 continued to experience an additional impact to the Tax Levy from the Proposition 2 ½ debt exclusion to fund the Hoosac Valley High School Project. The actual total Tax Levy increased \$401,688, which is comprised of the following: new growth of \$96,352, plus allowed 2 ½% increase of \$255,668 in the levy limit, plus increase in the capital override of \$6,075, plus prior year excess levy capacity of \$43,593 used in the current year, less excess levy capacity of \$97,221 carried forward to 2018.
- Governmental Fund investment earnings increased from \$6,584 in the prior fiscal to \$7,479 in the fiscal year ended June 30, 2017.
- Revenue from intergovernmental sources, primarily State Aid, had a slight increase in fiscal year 2017.

Major expense factors include:

- For Governmental Activities, 36% of the Town's expenses relates to Education; 19% to Public Works; 11% to Public Safety; 3% to Community Development, Library, Cultural and Recreation; 3% to Health and Human Services; 1% to interest payments on long term debt; and the remaining 27% to General Government and administration costs
- Increases in Non-union employee wages are governed by a grade and step plan which is approved by Annual Town Meeting. Employees who have not reached their maximum step receive a varying step increase at their anniversary date and the cost of living increase for all non-union employees was 2% for the fiscal year ending June 30, 2017. The Clerical Unit union group and the Local #204 AFSCME for the Department of Public Works, along with the Adams Police Association received the same 2% cost of living increase through June 30, 2017.
- Property and liability insurance costs remained fairly level. The Town purchases insurance through the Massachusetts Interlocal Insurance Association (MIIA), a non-profit insurance group dedicated to government entities. Discounts are received in the form of dividends, participation credits and reward programs geared specifically toward municipal government. A concentrated effort to participate in the Rewards Program by the Board of Selectmen, Town Administrator, Town Accountant and many other department heads results in additional savings annually.

- All education costs are governed by regional and charter school districts. The Town is involved with two regional districts, plus the Berkshire Arts & Technology (BaRT) Public Charter School. The Adams-Cheshire Regional School District (ACRSD) for its primary through high school students, and the Northern Berkshire Vocational Regional School District (NBVRSD) for high school students seeking a vocational alternative to their education needs. The assessments charged by the districts are determined by their individual school committees and as a percentage of total expenses decreased 1.66% for ACRSD and an increase of 2.6% for NBVRSD. The BaRT Public Charter School is a third education alternate which is funded through the Commonwealth's charter school funding formula, and is paid directly out of the regional schools Chapter 70 funds which directly affects the ACRSD budget.

Town wide expenses for personal services decreased 0.48% over the prior year. Operating expenses increased 5.45% over the prior year.

The Town made a commitment to increase capital spending and non-discretionary capital spending increased 2.46% plus Capital spending from Free Cash increased 68%. A new Capital Improvement Plan has been charted in order to identify capital spending needs. Chapter 90 improvements to roadways and sidewalks were performed.

To be noted is the continuing budget crisis with the Commonwealth of Massachusetts. Previously anticipated annual increases in State Aid can no longer be considered standard, thus forcing the decreases in wages and related costs to lessen the burden on the tax rolls and precludes extra capital spending.

Property Taxes

The tax rates and valuation data over the four previous years are as follows:

	2017	2016	2015	2014
Real and personal property valuation	\$ 507,917,076	\$ 482,882,333	\$ 470,221,030	\$ 466,302,433
Tax levy	\$ 11,131,708	\$ 10,730,020	\$ 10,378,451	\$ 9,604,171
Shifted tax rates (per thousand):				
Residential	\$ 21.37	\$ 21.39	\$ 21.37	\$ 19.95
Commercial/Industrial	\$ 24.55	\$ 26.00	\$ 25.38	\$ 23.69
Unshifted tax rate (per thousand):	\$ 21.92	\$ 22.22	\$ 22.07	\$ 20.60

Financial Analysis of the Government's Funds

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balances may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$5,186,132. Of this amount, \$2,796,473 is restricted, committed and assigned for specific purposes such as the compensated absence fund, capital projects, community preservation, encumbrances, and reducing free cash to help reduce the tax rate. This leaves an unassigned governmental fund balance of \$2,389,659 for the general fund.

The General Fund is the main operating fund for the Town. At the end of the current fiscal year, the Town's general fund reported total ending fund balances of \$3,515,707. Approximately sixty-eight (68%) percent of this total or \$2,389,659 constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to provide for encumbrances, prepaid items, tax reduction and other specific purpose. The general fund remained stable this year. No significant financial events occurred during the fiscal year.

General Fund Budgetary Highlights

The Town's original budget sustained it throughout the entire fiscal year. Revenue estimates were solid with departmental receipts coming in level or higher with estimates.

For the majority of the categories, expenditures were within a comfortable percentage of the amounts budgeted. Departments have reliably kept spending to a minimum and have done more with less over the past several years. Explanation of significant budget vs actual variances are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Excise tax revenue	\$ 825,000	\$ 1,000,921	\$ 175,921
Expenses:			
General government expense	\$ 1,459,607	\$ 1,265,416	\$ 194,191
Community Development expense	\$ 273,197	\$ 117,269	\$ 155,928
Public Safety expense	\$ 1,945,569	\$ 1,902,531	\$ 43,038
Public Works expense	\$ 2,841,984	\$ 2,596,637	\$ 245,347
Retirement and employee benefits expense	\$ 1,168,372	\$ 1,093,299	\$ 75,073

Excise Tax Revenue

Excise tax for fiscal year 2017 revenue was \$175,921 more than budget. The Town has seen fluctuations in motor vehicle excise tax revenue and therefore took a conservative approach in motor vehicle estimates for fiscal year 2017.

General Government Expense

Overall savings in fiscal year 2017 for the general government amounted to \$194,191. Department Heads took care in economizing on their spending. These savings will be realized as an increase to free cash for fiscal year 2018.

Community Development Expense

Overall savings in fiscal year 2017 for Community Development amounted to \$155,928. These funds were encumbered for ongoing projects.

Public Safety Expense

Overall savings in fiscal year 2017 for Public Safety amounted to \$43,038. There were two capital projects that were not completed at June 30, 2017 and the funds were encumbered into fiscal year 2018.

Public Works Expense

Overall savings in fiscal year 2017 for Public Works amounted to \$245,347. A mild winter saved spending in numerous areas of Public Works, particularly road salt and equipment repairs.

Retirement and Employee Benefits Expense

Overall savings in fiscal year 2017 for retirement and employee benefits amounted to \$75,073. Health insurance premiums were less than budgeted for fiscal year 2017.

Capital Asset and Debt Administration*Capital Assets*

The Town's investment in capital assets as of June 30, 2017, amounted to \$16,571,624 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, infrastructure, machinery and equipment.

	2017	2016
Land	\$ 3,292,969	\$ 3,292,969
Construction in process	486,253	425,780
Buildings and improvements	6,753,720	7,077,426
Sewer facility and improvements	2,764,300	2,892,428
Office furniture and equipment	12,841	18,217
Vehicles	189,471	181,106
Machinery and equipment	240,174	319,900
Road infrastructure	<u>2,831,896</u>	<u>2,946,463</u>
Total	<u>\$ 16,571,624</u>	<u>\$ 17,154,289</u>

Construction in process

The Town incurred \$425,780 of costs related to the Train Station Park/Pavilion Project. This project is still in process as of June 30, 2017.

The Town incurred \$60,473 of costs related to the Visitor's Center parking lot project. This project is still in process as of June 30, 2017.

Current year additions

The Town acquired the following capital assets during fiscal year 2017:

2016 Ford F350 for Highway Department	\$ 35,740
Sander for Highway Department	15,000
2017 Ford Interceptor for Police Department	36,120
Equipment for sewer treatment plant	11,553
Heat pump for Visitor's Center	6,384
Lawn mowers	6,162
Visitor's center parking lot	<u>60,473</u>
Total	<u>\$ 171,432</u>

Additional information on the Town's capital assets can be found on page 24 of this report.

Long-term debt

At the end of the current fiscal year, the Town had total debt outstanding of \$3,224,392. This amount is comprised of general obligation bonds in the amount of \$1,725,000, Wastewater Treatment Plant upgrade of \$1,429,392, and Water Channel Improvements of \$70,000. All are direct obligations and pledges the full faith and credit of the Town.

The Town issued the following short-term anticipation notes during fiscal year 2017.

- \$750,000 short-term revenue anticipation note at 1.30% interest on April 6, 2017. The note was repaid on May 31, 2017. Interest expense was \$1,469.

Overlapping debt

The Adams Cheshire Regional School District (the “District”) carries debt for which the town has pledged their responsibility to. As of June 30, 2017, the District had debt outstanding of \$11,100,000 for the school building, with the Town’s share being \$7,476,183 or 67.35%.

Additional information on the Town’s long-term debt can be found on page 25 of this report.

Economic Factors and next year’s Budgets and Rates

- The Massachusetts unemployment rate ended the fiscal year 2017 at a rate of 4.3%, equivalent to the national unemployment rate of 4.3%. The Town has traditionally held an unfavorably higher unemployment rate. Town management has been attempting to recruit new business ventures and has continued to promote the Adams Industrial Park to recruit new business and provide additional employment opportunities. Stimulating interest in the one remaining property within the park is a high priority for the Town.
- Normally state aid to the Town increases; however, with the current condition of the Commonwealth’s budget, no significant increases in state aid are anticipated for several years.
- Education aid to the local regional school districts in the form of Chapter 70 monies has remained fairly level and their transportation aid is never secure. The institution of the Berkshire Arts and Technology Public Charter School has drawn funds from the ACRSD’s Chapter 70 funds exponentially and will continue to do so due to flaws in the Commonwealth’s funding formula.
- Ashuwillticook Rail Trail Extension (Phase III): The project’s construction contractor, J. H. Maxymillian, Inc., worked diligently to complete the project in spring 2017. On Friday, May 12, 2017 community members gathered at “Adams Station” at 4 Hoosac Street to celebrate the opening of the Phase III extension of the Ashuwillticook Rail Trail, which extended the recreational path from Hoosac Street to Lime Street in Adams (approximately 1.4 miles). The celebration was a collaborative event of the Town, Massachusetts Department of Transportation (Mass DOT), Berkshire Bike Path Council (BBPC) and Bike North Berkshire (BNB).
- Greylock Glen Resort: The Town issued a Request for Proposals for architectural design teams for the design of the Glen project’s Outdoor Center. The project attracted submittals from thirteen design teams, all of them with impressive portfolios of completed projects. The Town’s Designer Selection Committee selected Maclay Architects of Waitsfield, Vermont. Maclay is well known for their work in designing net zero energy buildings, which the Town anticipates for the Outdoor Center. The Town received \$250,000 from the Commonwealth for schematic design of the building, and a commitment for another \$500,000 to complete bid-ready plans and specifications. The building will include a welcome center, exhibit areas, three (3) classrooms used as flexible space, café, concessions, and restrooms. The indoor welcome/orientation area will consist of a large open lounge with a large stone fireplace, along with an information desk and exhibit spaces. A four-season cafe will open out onto the lounge allowing hikers, skiers, cyclists and the general public a place to find sustenance before or after their outdoor explorations. The Town will seek construction funding from the Commonwealth.

- **Adams Visitors Center Parking Improvement Project:** With \$650,000 of Community Development Block Grant (CDBG) funding and use of Chapter 90 funds, the Town will be able to reconstruct the 120-space public parking lot located at the Adams Visitors Center (3 Hoosac Street). The Visitors Center sits just off state Route 8 on Hoosac Street – an area of increasing focus and activity within the town center. The Town hired Waterfield Design Group, Inc. to develop design improvements for the heavily used parking facility, which has had no major improvements for more than 30 years. The project will include: i) milling existing parking surface pavement with approximately two inches of material to be removed; ii) installing new and retrofitting existing drainage structures; iii) removing and installing new lighting; iv) removing and installing new curbing; v) installing new bituminous concrete pavement; and vi) installing new sidewalks with pedestrian curb extensions, handicapped ramps and tactile warning pads, new street trees, landscaping, and new street furnishings to include benches, bollards, trash receptacles, and decorative pavers. Work is expected to be initiated during the 2018 construction period.
- **Hoosac Valley Rail Passenger Platform:** The Town was awarded \$2.6 million from the 2016 MassWorks Infrastructure Grant Program to complete the proposed Hoosac Valley Service Track Extension Project to extend the Adams Branch rail line from its terminus at Renfrew Street approximately 0.9 miles south to Hoosac Street in downtown Adams, and to construct a new passenger platform at Adams Station. Completion of the project would fulfill the vision of connecting the downtowns of Adams and North Adams via tourist train service offered by Berkshire Scenic Railway Museum (BSRM). The track extension is within the abandoned rail corridor on property owned by the Commonwealth and it will share this right-of-way with the Ashuwillticook Rail Trail. The first phase of the project - constructing 4,700 LF of new track, including installation of new ties, and ballast - was completed in June 2017. A new passenger platform will be constructed at Adams Station on Hoosac Street with the Town responsible for public bidding of the project, which will be initiated in fall 2017. With completion of the rail extension, the service will provide visitors a slow, narrated scenic trip over the 5-mile route. Both Adams and North Adams have identified this as one of their highest priority economic development projects and have worked hard to integrate it with other key municipal investments to maximize potential positive impact in their downtowns.
- **Hoosac Valley Park Project:** The Town received \$50,000 under the fiscal year 2017 CDBG program to complete design of a proposed public park. Acquired through a tax taking, the project site, located at 1 Cook Street, is the former “Hoosac Valley Coal & Grain property.” The main structure on the property, the former “Coal & Grain Elevator and Feed Store” building, c. 1900, is an important historic structure in the town center that represents the community’s growth and development during the age of railroads. The building is a prominent landmark along Route 8 and there is a strong community desire to save the main building. The property is uniquely situated adjacent to two important recreational projects – the Ashuwillticook Rail Trail and the new Hoosac Valley Service tourist trains. Because this site is so prominently situated, eliminating the blighted appearance of the property, both buildings and grounds, is critical to maximize the potential of these other projects and the anticipated increases in tourist visitation they promised. Improving this property will also, in turn, protect the substantial public investment required for the implementation of these two important regional economic development projects.
- **Memorial School Building Renovation & Reuse Project:** The Town has developed a solid reuse plan for the building to address several critical community needs. The Town has applied for CDBG funding (fiscal year 2018) to replace the building’s failed, antiquated heating and ventilation (HVAC) system and allow full use of the portion of the structure intended for community use (approximately 25,000 square feet in area).

Renovating the Memorial School Building will assist Town residents in the following ways:

1. Enables the Town's Council on Aging (COA) to relocate to the building, which is served by public transportation and easily accessible to the Town's seniors and LMI families, and provides a larger, ADA-compliant, and more suitable facility for COA operations;
2. Provides critically needed indoor recreational opportunities for Town residents, especially active use of the gymnasium (the only facility of its size within the community) by seniors and various youth sports groups, BaRT Charter School, Youth Center, Inc., as well as other community groups and organizations;
3. Supports the growth and expansion of wellness and educational programming for LMI residents, not only by the Adams Council on Aging but other community groups like the Adams Arts Advisory Committee and potentially Berkshire Community College (now under discussion);
4. Provides a centrally-located and handicapped accessible location for important municipal functions like voting and Town Meetings;
5. Accelerates the building's redevelopment, particularly development and reuse of the classroom wing into affordable housing.

If the Town is awarded CDBG funding, completion of the HVAC replacement is anticipated by early spring 2019, allowing the Council on Aging to relocate to the building that summer.

- **Route 8 Design Project:** The Town's Route 8 Roadway Improvement Project (involving approximately 5,800 linear feet: from the bridge crossing the Ashuwillticook Rail Trail to McDonald's just south of Route 116, is progressing toward 25% design. VHB, the Town's engineer, anticipates submitting the 25% design plans to District 1 with a late spring-summer of 2018 for the MassDOT Design Public Hearing. The project will include mill and overlay of the existing pavement, new sidewalks, replacement/rehabilitation of some existing sidewalks, new bike lanes, new signage (including rectangular rapid flashing beacons at certain high-use crosswalks), drainage improvements, some slope work, and minor work on three bridges. The construction cost is estimated at \$4.5 million with funding from the Federal Highway Administration. This project is currently listed on the state fiscal year 2020 Transportation Improvement Plan for Berkshire County.
- The Town's fiscal year 2018 operating and capital budget can be found on page 33 of this report.

Requests for information

The financial report is designed to provide a general overview of the Town of Adams finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountants office, Town Hall, 8 Park Street, Adams, MA 01220.

TOWN OF ADAMS, MASSACHUSETTS
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government Governmental Activities
ASSETS	
Current:	
Cash and cash equivalents	\$ 5,076,873
Receivables, net	1,283,766
Grant receivables	88,128
Inventory	23,410
Cash - restricted	479,830
Noncurrent:	
Capital assets, net	16,571,624
TOTAL ASSETS	23,523,631
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,525,764
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	26,049,395
LIABILITIES	
Current:	
Warrants and other payables	166,474
Payroll and related liabilities	290,824
Unearned revenue	53,393
Capital lease payable	46,478
Current portion of long-term debt	396,229
Accumulated unused compensated absences	108,840
Retirement settlement payable	16,250
Noncurrent:	
Long-term debt, net of current portion	2,828,163
Accumulated unused compensated absences	435,361
Retirement settlement payable	51,458
Net pension liability	8,133,043
Postemployment benefits other than pensions	6,490,000
TOTAL LIABILITIES	19,016,513
NET POSITION	
Invested in capital assets, net of related debt	13,300,754
Restricted for:	
Special revenue funds	1,067,611
Expendable trust funds	122,984
Non-expendable trust funds	479,830
Unrestricted (deficit)	(7,938,297)
TOTAL NET POSITION	\$ 7,032,882

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
	Expenses	Charges for Services			
Governmental activities					
General Government	\$ 1,532,436	\$ 55,258	\$ 55,896		\$ (1,421,282)
Community Development	497,709			\$ 406,514	(91,195)
Public Safety	2,007,421	109,365	52,121		(1,845,935)
Education	6,252,350				(6,252,350)
Public Works, Buildings, Highways and Streets	3,291,278	50,169	13,310	427,449	(2,800,350)
Health and Human Services	561,370		29,670		(531,700)
Library	304,908	1,692	24,262		(278,954)
Retirement and employee benefits	2,888,586				(2,888,586)
State and county assessments	40,852				(40,852)
Cultural and Recreation	51,726		25,590		(26,136)
Cemeteries, Parks and Other	50,785	29,060			(21,725)
Interest on long-term debt	98,488				(98,488)
Total governmental activities	<u>\$ 17,577,909</u>	<u>\$ 245,544</u>	<u>\$ 200,849</u>	<u>\$ 833,963</u>	<u>(16,297,553)</u>
General revenues:					
Taxes					12,355,244
Penalties and interest					131,554
State aid					2,462,287
Earnings on invested funds					7,479
Other revenues					206,596
Transfers					(10,000)
Total general revenues					<u>15,153,160</u>
CHANGE IN NET POSITION					(1,144,393)
Net position, beginning					<u>8,177,275</u>
NET POSITION, ENDING					\$ 7,032,882

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,816,933	\$ 1,259,940	\$ 5,076,873
Receivables, net	1,283,766		1,283,766
Grant receivables		88,128	88,128
Due from (to) other funds	63,342	(63,342)	---
Cash - restricted		479,830	479,830
TOTAL ASSETS	<u>\$ 5,164,041</u>	<u>\$ 1,764,556</u>	<u>\$ 6,928,597</u>
LIABILITIES			
Warrants and other payables	\$ 125,736	\$ 40,738	\$ 166,474
Payroll and related liabilities	290,824		290,824
Unearned revenue		53,393	53,393
TOTAL LIABILITIES	<u>416,560</u>	<u>94,131</u>	<u>510,691</u>
DEFERRED INFLOWS OF RESOURCES			
Revenue not considered available	<u>1,231,774</u>	<u>---</u>	<u>1,231,774</u>
FUND BALANCES			
Restricted		1,670,425	1,670,425
Committed	101,070		101,070
Assigned	1,024,978		1,024,978
Unassigned	<u>2,389,659</u>		<u>2,389,659</u>
TOTAL FUND BALANCES	<u>3,515,707</u>	<u>1,670,425</u>	<u>5,186,132</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,164,041</u>	<u>\$ 1,764,556</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds	16,571,624
Inventory used in governmental activities are not financial resources and therefore, are not reported in the funds.	23,410
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,882,779)
Net pension liability	(5,607,279)
Postemployment benefits other than pensions	(6,490,000)
Revenues are reported on the accrual basis of accounting and not deferred	<u>1,231,774</u>
Net position of governmental activities	<u>\$ 7,032,882</u>

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 10,964,302		\$ 10,964,302
Excise taxes	1,000,921		1,000,921
Other taxes	289,409		289,409
Penalties and interest	131,554		131,554
Departmental receipts, licenses and permits	188,535		188,535
Charges for services	40,319	\$ 16,690	57,009
Earnings on invested funds	4,479	3,000	7,479
Other revenues	22,984	183,612	206,596
Total locally raised revenue	12,642,503	203,302	12,845,805
Intergovernmental revenues	2,462,287	1,034,812	3,497,099
TOTAL REVENUES	15,104,790	1,238,114	16,342,904
EXPENDITURES			
General Government	1,197,371	178,679	1,376,050
Community Development	150,733	407,449	558,182
Public Safety	1,909,673	60,431	1,970,104
Education	6,252,350		6,252,350
Public Works, Buildings, Highways and Streets	2,638,974	449,935	3,088,909
Health and Human Services	398,619	23,070	421,689
Library	232,189	12,914	245,103
Retirement and employee benefits	1,093,818		1,093,818
Retirement settlement	16,250		16,250
State and county assessments	40,852		40,852
Cultural and Recreation	11,124	40,602	51,726
Cemeteries, Parks and Other	51,158		51,158
Debt service:			
Principal retirement	477,432		477,432
Interest and finance charges	98,488		98,488
TOTAL EXPENDITURES	14,569,031	1,173,080	15,742,111
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	535,759	65,034	600,793
OTHER FINANCING SOURCES (USES)			
Transfers in	65,750	78,560	144,310
Transfers out	(88,560)	(65,750)	(154,310)
TOTAL OTHER FINANCING SOURCES (USES)	(22,810)	12,810	(10,000)
Net change in fund balances	512,949	77,844	590,793
Fund balances, beginning	3,002,758	1,592,581	4,595,339
FUND BALANCES, ENDING	\$ 3,515,707	\$ 1,670,425	\$ 5,186,132

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS
RECONCILIATION OF THE CHANGE IN FUND BALANCE
OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	590,793
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital asset purchases capitalized	171,432
Depreciation expense	(754,097)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate, personal property, and excise) differ between the two statements. This amount represents the net change in deferred inflows of resources - revenue not considered available.

100,612

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction however, has any effect on net position:

Debt principal payments	477,432
Repayment of capital lease obligation	46,478

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Increase in inventory	1,475
Increase in accrued unused compensated absences	(18,826)
Decrease in retirement settlement payable	16,250
Increase in net pension liability	(1,025,942)
Increase in postemployment benefits other than pensions	(750,000)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(1,144,393)
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TOWN OF ADAMS, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) - GENERAL FUND

For the Year Ended June 30, 2017

	General Fund			
	Budget		Actual	Variance -
	Original	Final	Budgetary Basis	Positive (Negative)
REVENUES				
Property taxes	\$ 10,962,527	\$ 10,962,527	\$ 11,007,714	\$ 45,187
Excise taxes	825,000	825,000	1,000,921	175,921
Other taxes	149,079	149,079	210,849	61,770
Penalties and interest	56,264	56,264	131,554	75,290
Departmental receipts, licenses and permits	189,656	189,656	188,535	(1,121)
Charges for services	40,000	40,000	40,319	319
Earnings on invested funds	3,500	3,500	3,565	65
Other revenues	---	---	22,984	22,984
Total locally raised revenue	12,226,026	12,226,026	12,606,441	380,415
Intergovernmental revenues	2,535,205	2,535,205	2,458,100	(77,105)
TOTAL REVENUES	14,761,231	14,761,231	15,064,541	303,310
EXPENDITURES				
General government	1,459,607	1,459,607	1,265,416	194,191
Community development	273,197	273,197	117,269	155,928
Public safety	1,945,569	1,945,569	1,902,531	43,038
Education	6,255,548	6,255,548	6,252,350	3,198
Public works, buildings, highways and streets	2,841,984	2,841,984	2,596,637	245,347
Health and human service	413,182	413,182	394,518	18,664
Library	241,131	241,131	232,189	8,942
Retirement and employee benefits	1,168,372	1,168,372	1,093,299	75,073
Retirement settlement	16,250	16,250	16,250	---
State and county assessments	40,852	40,852	40,852	---
Cultural and recreation	11,200	11,200	11,124	76
Cemeteries, parks and other	52,575	52,575	47,052	5,523
Debt service:				
Principal retirement	477,632	477,632	477,632	---
Interest and finance charges	116,186	116,186	98,288	17,898
TOTAL EXPENDITURES	15,313,285	15,313,285	14,545,407	767,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(552,054)	(552,054)	519,134	1,071,188
OTHER FINANCING SOURCES (USES)				
Operating transfers in	65,750	65,750	65,750	---
Operating transfers out	(58,846)	(58,846)	(58,846)	---
Revenue appropriation for particular purposes	440,150	440,150	440,150	---
Revenue appropriation to reduce the tax rate	105,000	105,000	105,000	---
TOTAL OTHER FINANCING SOURCES	552,054	552,054	552,054	---
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	\$ ---	\$ ---	\$ 1,071,188	\$ 1,071,188

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	<u>December 31, 2016</u>				
	Retirement System Pension Trust Fund	Library Private Purpose Trust Funds	Other Postemployment Benefit Trust Fund	Totals	Other Agency Funds
ASSETS					
Cash and cash equivalents	\$ 1,573,298	\$ 227,829	\$ 20,020	\$ 1,821,147	\$ 29,173
Interest and other receivables	116,849			116,849	9,769
Investments, at fair value	<u>30,429,208</u>			<u>30,429,208</u>	<u>---</u>
TOTAL ASSETS	<u>32,119,355</u>	<u>227,829</u>	<u>20,020</u>	<u>32,367,204</u>	<u>38,942</u>
LIABILITIES					
Accounts payable	<u>4,990</u>			<u>4,990</u>	<u>38,942</u>
TOTAL LIABILITIES	<u>4,990</u>	<u>---</u>	<u>---</u>	<u>4,990</u>	<u>38,942</u>
NET POSITION					
Held in trust and other purposes	<u>\$ 32,114,365</u>	<u>\$ 227,829</u>	<u>\$ 20,020</u>	<u>\$ 32,362,214</u>	<u>\$ ---</u>

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	<u>December 31, 2016</u>	<u>Library</u>	<u>Other</u>	
	<u>Retirement</u>	<u>Private Purpose</u>	<u>Postemployment</u>	
	<u>System Pension</u>	<u>Trust Funds</u>	<u>Benefit</u>	
	<u>Trust Fund</u>		<u>Trust Fund</u>	<u>Totals</u>
ADDITIONS				
Employer	\$ 1,476,074			\$ 1,476,074
Plan members	617,158			617,158
Federal and State reimbursements	19,540			19,540
Miscellaneous income	3			3
Private donations and other income		\$ 10,502		10,502
Total contributions	<u>2,112,775</u>	<u>10,502</u>	---	<u>2,123,277</u>
Investment income:				
Interest and dividends	629,330	4,143	20	633,493
Net increase (decrease) in fair value of investments	<u>1,603,068</u>	<u>13,266</u>		<u>1,616,334</u>
Total investment income (loss)	2,232,398	17,409	20	2,249,827
Less investment expense	<u>133,845</u>			<u>133,845</u>
Net investment income (loss)	<u>2,098,553</u>	<u>17,409</u>	<u>20</u>	<u>2,115,982</u>
TOTAL ADDITIONS	<u>4,211,328</u>	<u>27,911</u>	<u>20</u>	<u>4,239,259</u>
DEDUCTIONS				
Benefits	2,894,639			2,894,639
Refunds of contributions	33,492			33,492
Administrative expenses	139,467			139,467
Educational outreach		<u>12,090</u>		<u>12,090</u>
TOTAL DEDUCTIONS	<u>3,067,598</u>	<u>12,090</u>	---	<u>3,079,688</u>
Transfers in	---	---	10,000	10,000
CHANGE IN NET POSITION	1,143,730	15,821	10,020	1,169,571
Net position, beginning	<u>30,970,635</u>	<u>212,008</u>	<u>10,000</u>	<u>31,192,643</u>
NET POSITION, ENDING	<u>\$ 32,114,365</u>	<u>\$ 227,829</u>	<u>\$ 20,020</u>	<u>\$ 32,362,214</u>

See notes to financial statements.

TOWN OF ADAMS, MASSACHUSETTS**Notes to Financial Statements****June 30, 2017****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting entity**

The Town of Adams, Massachusetts was incorporated in 1778. The Town operates under a Town Administrator form of government and provides a full range of services as authorized by its by-laws which include: general governmental services to its residents, community development, public safety, education, public works, health and human services, and culture and recreation.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely presented component units. The Town has considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2017, it was determined that no entities met the required governmental accounting standards board criteria for component units.

B. Government-wide and fund financial statements***Government-wide financial statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. Governmental activities generally are supported by taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund balance, revenues and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The *governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. Property taxes collected up to 60 days after the fiscal year end are included in the current fiscal year revenues with the remaining recognized as revenues in the succeeding year when services financed by the levy are provided. Intergovernmental aids and grants are recognized as revenues in the period the Town is entitled to the resources and the amounts are available. Amounts owed to the Town which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

The Town reports the following major governmental funds

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following fiduciary funds

Pension Trust Fund

This fund accounts for the activities of the Adams Contributory Retirement System as of December 31, 2016, which accumulates resources for pension benefit payments to all qualified employees.

Library Private Purpose and Other Agency Funds

These funds account for assets held as a custodian for the Library and other outside groups and agencies.

Other Postemployment Benefits Trust Fund

This fund is used to account for assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the trust fund cannot be used to support the Town's operations.

Accounting 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through February 26, 2018, the date that the financial statements were available for issue, and has determined that there are no additional adjustments or disclosures required.

D. Assets, liabilities, and net position or fund balance

Interfund Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances.”

Property taxes receivable

The Town’s property tax is levied each July 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town. Assessed values are established by the Board of Assessors at a percentage of estimated market value. The Town is required to have its assessed values certified by the State every three years. The assessed value for the fiscal 2017 levy was \$507,917,076. A tax rate of \$24.55 per thousand for commercial and industrial property and \$21.37 per thousand for residential property was applied to the levy resulting in a tax levy of \$11,131,708. The Town’s actual tax rate (un-shifted commercial and residential tax rate) for fiscal year 2017 was \$21.92 per thousand. Real and personal property taxes are due and payable in two installments on November 1 and May 1 following the assessment date.

An allowance for uncollectible taxes is determined and recorded based upon the tax levy.

A statewide 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 (levy ceiling). A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more the 2 ½%, plus taxes levied on certain property newly added to the tax rolls (levy limit). Certain Proposition 2 ½ taxing limitations can be overridden by a Town-wide referendum vote. For fiscal year 2017, the Town’s tax levy was \$11,131,708, which was below both its levy limit of \$11,228,929 (levy limit of \$10,578,747 plus debt exclusion of \$650,182) and levy ceiling of \$12,697,927.

Motor vehicle assessments are provided by the Massachusetts Registry of Motor Vehicles. Tax rates established by the State are \$25 per thousand.

Inventories and prepaid items

Inventories which are material are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
Buildings	50	Office furniture and equipment	5
Building improvements	20	Vehicles	5
Infrastructure	20 - 50	Machinery and equipment	5 - 7

Unused compensated absences

It is the Town's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. A liability for these accrued unused sick and vacation leave benefits is reported in the government-wide statement of net position as accumulated unused compensated absences.

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the governmental-wide statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-wide net position

Government-wide fund net positions are classified as follows:

Invested in capital assets, net of related debt

Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position

Consist of amounts that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted

All other amounts are reported in this category.

Governmental fund balances

The Town has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to observe constraints upon the use of the resources reported in its financial statements.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable

Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of the Town charter, state and federal laws, or externally imposed conditions by grantors or creditors. Special revenue funds are restricted because the funds are created by statute or by external constraints on how the funds can be spent.

Committed

Amounts that can only be used for specific purposes imposed by majority vote of the Town's governing body (i.e., Town Meeting, the highest level of decision making authority). Any changes or removal of specific purposes requires majority action by the governing board.

Assigned

Amounts constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. These include encumbrances and other amounts which have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year (free cash).

Unassigned

All amounts not included in other classifications.

Encumbrances and continuing appropriations

Encumbrance accounting is employed in the governmental funds as a significant aspect of budgetary control. Encumbrances, through the use of purchase orders, contracts and other applicable appropriation, are amounts that are set aside to pay for goods and services that have not been completed prior to the end of the fiscal year.

Unencumbered appropriations, which are carried over to the following fiscal year, are reported as "continuing appropriations". Continuing appropriations represent amounts appropriated for specific programs or projects, which were not completed during the fiscal year.

Encumbrances and continuing appropriations are reported within unassigned fund balance in the accompanying balance sheet because they do not constitute expenditures or liabilities. Encumbrances and continuing appropriations are combined with expenditures for budgetary comparison purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

1. Prior to March 1, the Town Administrator submits to the Finance Committee a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Town to obtain taxpayer comments.
3. The budget is legally enacted at the annual Town Meeting by vote of the Town Meeting representatives in May.

4. Throughout the fiscal year any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by a vote at a Special Town Meeting. The Finance Committee controls a reserve fund, which, at their discretion, may be used to alter total expenditures.
5. Appropriations for certain projects and specific items not fully expended at the fiscal year-end are carried forward as continued appropriations to the new fiscal year or until project completion. The Town's policy is to carry forward encumbrances as continued appropriations at the fiscal year end.

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, including water, sewer, solid waste funds, plus (b) provision for any prior fiscal year's deficits, less (c) the aggregate of all non-property tax revenue, including user fees, and transfers projected to be received by the Town, including available surplus funds.

The Town's General Fund budget is prepared on a basis that differs from U.S. generally accepted accounting principles (GAAP) in several different ways:

- Property tax revenues are recognized on a full accrual basis rather than on the modified accrual basis (GAAP);
- Budgeted revenues are recorded when cash is received, as opposed to when susceptible to accrual (GAAP);
- Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

A reconciliation of General Fund operations presented in the Governmental Funds to the amounts presented in the budgetary basis statement (Non-GAAP) is as follows:

	<u>General Fund</u>
Governmental funds - net change in fund balances	\$ 512,949
Adjustments:	
Net effect of encumbrances recorded as budget expenditures	23,624
Revenues from recognition on cash basis	39,225
Less revenue from stabilization fund	(914)
Less net transfers from stabilization fund	(48,846)
Plus other sources - revenue appropriations	<u>545,150</u>
Excess of revenues and other sources over expenditures and other uses - budgetary basis (Non-GAAP)	<u>\$ 1,071,188</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

B. Deposits and Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

Primary Government (except the pension trust fund)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town carries deposits and investments that are fully insured by FDIC insurance, collateralized, and deposits that are not collateralized and are uninsured. Bank deposits as of June 30, 2017 were \$5,586,026 of which \$5,574,982 is insured and collateralized and \$11,044 is uninsured.

Investment Policy

The Town's primary concern in connection with its investment activities is a concern shared by all municipal governments: the preservation of capital. The Town's investment policy establishes a domain in which all of the Town's investment activities may be safely conducted while it strives to use its capital resources as efficiently as possible. The rules of that domain are fixed by Massachusetts General Laws M.G.L. c. 44, sec. 55, which prohibits Massachusetts communities from investing in certain categories of high-risk investments; limit the amount of the Town's bank deposits in any one financial institution; and which establish qualifying criteria for banking institutions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Concentration Risk

The Town adheres to the provisions of M.G.L. C. 44, sec. 55 when managing concentration risk. M.G.L. c. 44, sec. 55 contains several restrictions limiting where and under what circumstances the Town may deposit its funds. Pursuant to M.G.L. c. 44, sec. 55, cities and towns in the Commonwealth may deposit available fund balances in banks, trust companies, or banking companies, provided that the amounts deposited do not exceed 60% of the capital and surplus of an institution unless satisfactory security for the amount in excess of 60% is provided by the depository.

Town of Adams Pension Trust

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of bank failure, the Pension Trust's deposits may not be returned. The Pension Trust carries deposits that are fully insured by FDIC insurance or collateralized with securities held by the Pension Trust or the Pension Trust's agent in the Trust's name. The Pension Trust also carries deposits that are not collateralized and are uninsured. Bank deposits as of December 31, 2016 were \$1,573,298 which was insured and collateralized.

Investment Policy

The provisions of M.G.L. c. 32, sec 23(2) govern the Trust's investment practice.

Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. c. 32, sec. 23(3), the "Prudent Person" rule.

The Trust has retained an investment consultant to work with the Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The Trust is currently invested in stocks, fixed income securities, corporate and government bonds, U.S. treasuries, and certificates of deposits.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following is a listing of the Trust's fixed income investments and related maturity schedule (in years) and other investments as of December 31, 2016:

Investment Type	Fair Value	Maturity Schedule			
		Less Than 1	1-5	6-10	More Than 10
Debt Securities					
Corporate bonds	\$ 5,177,314	\$ 247,237	\$ 3,234,167	\$ 1,664,092	\$ 31,818
Government bonds	4,618	---	814	3,804	---
U.S. Treasuries	13,064	---	627	1,047	11,390
Subtotal	<u>5,194,996</u>	<u>\$ 247,237</u>	<u>\$ 3,235,608</u>	<u>\$ 1,668,943</u>	<u>\$ 43,208</u>
Other Investments					
Certificates of deposit	3,752,602				
Money market funds	1,173,616				
Equity securities	16,065,585				
Equity mutual funds	4,008,929				
Preferred stock	<u>233,480</u>				
Subtotal	<u>25,234,212</u>				
Total	\$ 30,429,208				

The Trust's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

The Trust allows investment managers to apply discretion under the "Prudent Person" rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The Trust's debt security investments as of December 31, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale:

Investment Type	Fair Value	AA- to AA+	A- to A+	BBB- to BBB+	D- to D+	Full Faith & Credit of U.S. Government	Not Rated
Debt Securities							
Corporate bonds	\$5,177,314	\$ 501,021	\$3,276,007	\$ 1,271,718	\$ 31,818	\$ ---	\$ 96,750
Government bonds	4,618	---	---	---	---	4,618	---
U.S. Treasuries	<u>13,064</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>13,064</u>	<u>---</u>
Total	<u>\$5,194,996</u>	<u>\$ 501,021</u>	<u>\$3,276,007</u>	<u>\$ 1,271,718</u>	<u>\$ 31,818</u>	<u>\$ 17,682</u>	<u>\$ 96,750</u>

Investment fair value

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

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Debt Securities				
Corporate bonds	\$ 5,177,314	\$ ---	\$ 5,177,314	\$ ---
Government bonds	4,618	---	4,618	---
U.S. Treasuries	13,064	---	13,064	---
Subtotal	5,194,996	---	5,194,996	---
Other Investments				
Certificates of deposit	3,752,602	3,752,602	---	---
Money market funds	1,173,616	1,173,616	---	---
Equity securities	16,065,585	16,065,585	---	---
Equity mutual funds	4,008,929	4,008,929	---	---
Preferred stock	233,480	---	233,480	---
Subtotal	25,234,212	25,000,732	233,480	---
Total	\$ 30,429,208	\$25,000,732	\$ 5,428,476	\$ ---

Concentration Risk

As of December 31, 2016, the Trust has \$1,718,501 or 5.6% of its investments, at fair value, held in the American Europacific Growth R3 International Mutual Fund. The Trust has no other investments, at fair value, that exceed 5% of the Trust's net assets held in trust for pension benefits as of December 31, 2016.

The Trust adheres to the provisions of M.G.L. c, 32, sec. 23(2) when managing concentration risk.

C. Receivables

Receivables at June 30, 2017, are as follows:

	General Fund
Real estate taxes	\$ 704,705
Personal property taxes	25,637
Motor vehicle excise taxes	224,775
Tax titles and possessions	581,245
Other receivables	2,013
Allowance for doubtful accounts	<u>(254,609)</u>
Total receivables	<u>\$ 1,283,766</u>

D. Interfund Receivables and Payables

As of June 30, 2017, interfund receivables and payables had a balance of \$-0-.

E. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 3,292,969	\$ ---	\$ ---	\$ 3,292,969
Construction in process	425,780	60,473	---	486,253
Total capital assets, not being depreciated	<u>3,718,749</u>	<u>60,473</u>	<u>---</u>	<u>3,779,222</u>
Capital assets, being depreciated:				
Buildings and improvements	10,826,861	6,384	---	10,833,245
Sewer facility and improvements	6,569,255	11,553	---	6,580,808
Office furniture and equipment	85,796	---	---	85,796
Vehicles	992,010	86,860	(298,230)	780,640
Machinery and equipment	1,735,516	6,162	---	1,741,678
Road infrastructure	<u>3,437,023</u>	<u>---</u>	<u>---</u>	<u>3,437,023</u>
Total capital assets, being depreciated	<u>23,646,461</u>	<u>110,959</u>	<u>(298,230)</u>	<u>23,459,190</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,749,435)	(330,090)	---	(4,079,525)
Sewer facility and improvements	(3,676,827)	(139,681)	---	(3,816,508)
Office furniture and equipment	(67,579)	(5,377)	---	(72,956)
Vehicles	(810,904)	(78,494)	298,230	(591,168)
Machinery and equipment	(1,415,616)	(85,888)	---	(1,501,504)
Road infrastructure	<u>(490,560)</u>	<u>(114,567)</u>	<u>---</u>	<u>(605,127)</u>
Total accumulated depreciation	<u>(10,210,921)</u>	<u>(754,097)</u>	<u>298,230</u>	<u>(10,666,788)</u>
Total capital assets, being depreciated, net	<u>13,435,540</u>	<u>(643,138)</u>	<u>---</u>	<u>12,792,402</u>
Governmental activities capital assets, net	<u>\$ 17,154,289</u>	<u>\$ (582,665)</u>	<u>\$ ---</u>	<u>\$ 16,571,624</u>

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

Governmental activities

General Government	\$ 156,746
Public Safety	73,522
Public Works, Buildings, Highways and Streets	318,554
Health and Human Services	139,681
Library	59,805
Cemeteries and Other	<u>5,789</u>
Total depreciation expense	<u>\$ 754,097</u>

F. Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

The following general obligation bonds have been issued for governmental activities.

Governmental activities	Serial Maturity Through	Interest Rates	Outstanding June 30, 2016	Addition	Reduction	Outstanding June 30, 2017
General obligation bond	2028	2% - 3%	\$ 1,905,000	\$ ---	\$ 180,000	\$ 1,725,000
Sewer renovations	2028	2.0%	1,580,724	---	151,332	1,429,392
Tropical Storm Irene	2017	2.0%	76,100	---	76,100	---
Water channel improvements	2018	2.4%	140,000	---	70,000	70,000
Total governmental activities			<u>\$ 3,701,824</u>	<u>\$ ---</u>	<u>\$ 477,432</u>	<u>\$ 3,224,392</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Bonds and Notes Payable		
	Principal	Interest	Total
2018	\$ 396,229	\$ 77,094	\$ 473,323
2019	331,131	64,566	395,697
2020	335,708	53,569	389,277
2021	340,619	44,270	384,889
2022	340,536	34,876	375,412
2023 - 2027	1,335,169	87,587	1,422,756
2028	145,000	4,350	149,350
Total	<u>\$ 3,224,392</u>	<u>\$ 366,312</u>	<u>\$ 3,590,704</u>

The Town pays assessments which would include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). As of June 30, 2017 the Town was responsible for the overlapping debt below:

	<u>Town's Share</u>
Adams Cheshire Regional School District	<u>\$ 7,476,183</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. Authorization under the double debt limit, however, requires the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitation.

The Town's equalized valuation was \$507,917,076 and the 5% normal debt limit available borrowing balance was \$25,395,854 at June 30, 2017. As of June 30, 2017, the Town's total debt limit available balance is \$22,171,462 (total limit available \$25,395,854 less in-side debt outstanding of \$3,224,392).

Capital Lease Payable

The Town is a lessee of a certain asset under a capital lease expiring in fiscal year 2018. The capital lease asset is depreciated over its estimated useful life. The obligation of governmental activities under the capital lease is \$46,478 per year through fiscal year 2018 for total minimum lease payments of \$185,912. Capital lease payable outstanding as of June 30, 2017 is \$46,478.

G. Temporary Borrowings

Under state law and by authorization of the Board of Selectmen, the Treasurer is authorized to borrow funds on a temporary basis as follows:

- To fund current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN).
- To fund capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN).
- To fund capital project costs incurred in anticipation of federal or state grants through issuance of grant anticipation notes (GAN) or state anticipation notes (SAN).

The Town issued the following short-term anticipation notes during fiscal year 2017.

- \$750,000 short-term revenue anticipation note at 1.30% interest on April 6, 2017. The note was repaid on May 31, 2017. Interest expense was \$1,469.

H. Restricted fund net assets on June 30, 2017

	Nonmajor Governmental Funds
Restricted:	
Special revenue funds	\$ 1,067,611
Expendable trust funds	122,984
Non-expendable trust funds	<u>479,830</u>
Total	<u>\$ 1,670,425</u>

NOTE 4 - OTHER INFORMATION

A. Risk management

Risks transferred to third parties

The Town is exposed to various risks of loss relating to torts; theft or damage of, and destruction of assets; errors and omissions; injuries; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which pass the risks of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent liabilities

Amounts received or receivable from grant 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. As of the date of the financial statements, the Town is not aware of any expenditure that may be disallowed by a grantor.

The Town settled a dispute regarding retirement allowance with a former town administrator. As a result, the Town made a lump sum payment of \$100,000 on September 15, 2011 and is required to pay \$16,250 annually until August 31, 2021 or until the date of the former administrator's death, whichever event occurs later. The total retirement settlement payable was \$262,500. The outstanding retirement settlement payable as of June 30, 2017 is \$67,708 which is recorded on Government-wide Statement of Net Position.

The Town is involved in a claim under the Workers Compensation Act by the insurer for the disabled daughter of a deceased town employee receiving COLA benefits. In this matter, the insurer is seeking reimbursement from the Town for amounts that it has paid for COLA increases over the past several decades. The matter is currently pending before the Department of Industrial Accidents in Boston. The estimated value of the claim is \$150,000. As of the date of the financial statements, the issue is not resolved and no liability has been determined. Accordingly, no liability has been recorded in the Town's Statement of Net Position.

The Town, from time to time may be a defendant in various lawsuits. As of the date of the financial statements, the Town is not aware of any other matters that could have a material adverse effect on the financial condition of the Town.

C. Other Postemployment benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of activities when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the balance sheet over time.

Plan Description and Funding Policy

A Brief Description of the Retiree Medical/Drug, Life and Dental Insurance Plans:

Plan Types:

Medical

Retirees have their choice of the following options: Blue Care Elect PPO, Net Blue NE-HMO, POS and Medex.

Life

Fully insured life insurance of \$5,000

Eligibility

Either age 55 with 10 years of service or any age with 20 years of service.

Benefit/Cost Sharing

The Town covers 70% of the health and life insurance premiums. The Town also covers 70% of the spouse's health insurance premium.

Surviving Spouse Benefit

None

Annual OPEB Cost and Net OPEB Obligation	Year Ended June 30, 2017
Annual Required Contribution (ARC)	\$ 1,120,000
Interest on net OPEB obligation	260,000
Adjustment to ARC	<u>(310,000)</u>
Annual OPEB cost (expense)	1,070,000
Contributions made	<u>320,000</u>
Increase in net OPEB obligation	750,000
Net OPEB obligation, beginning of year	<u>5,740,000</u>
NET OPEB obligation, end of year	<u>\$ 6,490,000</u>

Trust Fund

In fiscal year 2016, the Town adopted Massachusetts General Law Chapter 32B, Section 20, authorizing the establishment of a separate fund, to be known as the Other Postemployment Benefits Liability Trust Fund, and other provisions as outlined in said statute. The activity in the trust fund for fiscal year 2017 is as follows:

Balance at July 1, 2016	\$ 10,000
Deposits	10,000
Net earnings on investments	<u>20</u>
Balance at June 30, 2017	<u>\$ 20,020</u>

Three Year Trend Information

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015 to 2017 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2015	\$ 1,140,000	25.44%	\$ 5,140,000	\$ 3,380,000	33.73%
6/30/2016	\$ 970,000	38.14%	\$ 5,740,000	\$ 3,460,000	28.03%
6/30/2017	\$ 1,070,000	29.91%	\$ 6,490,000	\$ 3,210,000	33.33%

Methods and Assumptions

Valuation Date	July 1, 2016
Funding Interest Rate	4.50%
Medical/Drug Cost Trend Rate	9.5% the first year, decreasing by .5% per year, through year 10, to 5% thereafter.
Actuarial Cost Method	Projected Unit Credit
Remaining amortization period at 6/30/2017	21 years

Number of Plan Members

Active participants	72
Retired participants	<u>41</u>
Total	<u>113</u>

Future GASB Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, which establishes new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees. The implementation of this statement will represent a significant change in the accounting and reporting of OPEB expense and the related liability. This statement will require the Town to record the net OPEB liability measured as the total actuarially accrued liability.

As of June 30, 2017, the total actuarially accrued liability for the Town is \$11,940,000, of which \$6,490,000 has been recognized so far. It will also expand financial statement note disclosures and required supplementary information disclosures. The Town's required implementation date of GASB Statement 75 is for the fiscal year ended June 30, 2018.

D. Adams Contributory Retirement System

Plan description

The Town participates in the Adams Contributory Retirement System (the Plan) which is a cost-sharing multiple-employer public employee retirement system. The Plan provides pensions for eligible employees of 5 participating employers. The Plan is governed and operated by an independent Retirement Board, which is governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure. Participation in the Plan is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the Retirement Board, and approved by the Public Employee Retirement Administration Commission (PERAC). Results of the Plan are based on liabilities developed in an actuarial valuation performed as of January 1, 2016 and rolled forward to the Plan's measurement date of December 31, 2016.

Accounting Policy

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Membership

There are three classes of membership in the Plan:

Group 1

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2

Certain specified hazardous duty positions.

Group 4

Police officers, firefighters, and other specified hazardous positions

At December 31, 2016, pension plan membership consisted of the following:

Active plan members	186
Retired members and beneficiaries	146
Inactive members entitled to a return of employee contributions	37
Inactive members with a vested right to a deferred or immediate benefit	3
Total	<u>372</u>
Number of participating employers	<u>5</u>

Benefits

The Plan provides pension benefits, deferred allowances, and death and disability benefits. A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his or her creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year salary for persons who became members on or after April 2, 2012) average salary. For veterans as defined in MGL Chapter 32, there is an additional benefit per year for each year of creditable service, up to a stated maximum as defined in the Plan.

A member may retire after reaching the age of 55 and accumulating 10 years of service or after accumulating 20 years of service regardless of age with the Town or for another entity covered by the State PERS. Benefits vest after 10 years of service. A member who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain members cannot defer beyond age 65 as defined in the Plan. All members must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70 ½. There is a mandatory retirement age for some Group 2 and Group 4 employees as defined in the Plan. There is no mandatory retirement age for employees in Group 1.

Contributions

Contributions to provide benefits under the Plan are made by the Town under the "pay-as-you-go" method by annually contributing the amount determined by the State Public Employee Retirement Administration Commission. The contribution is calculated as the amount necessary to provide for the following year's retirement benefits.

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

Prior to 1975:	5% of regular compensation
1975 to 1983:	7% of regular compensation
1984 to 6/30/1996:	8% of regular compensation
7/1/1996 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

Pension Liabilities, Expense and Deferred Inflows and Outflows of Resources

At June 30, 2017, the Town reported a net pension liability of \$8,133,043 and deferred outflows of resources of \$2,525,764 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension relative to the projected contributions of all participating Plan employers, actuarially determined. At December 31, 2016, the Town's proportion was 52.38%. Net pension liability, deferred outflows/inflows of resources and pension expense are allocated to each employer based on its proportionate share of total employer contributions. For the year ended June 30, 2017, the Town recognized pension expense of \$1,025,942. Contributions made subsequent to the measurement date of December 31, 2016 were \$0-.

Actuarial Assumptions

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

Investment rate of return:	7.00% net of pension plan investment expense, including inflation.
Salary increases:	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Inflation:	Not explicitly assumed.

Actuarial Assumptions (Continued)

Cost of Living Adjustment 3% of first \$14,000.

Mortality Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year 2009 (gender distinct).

Post retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year 2009 (gender distinct).

For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building block approach which included expected returns by asset class and the target asset allocation.

Changes in net pension liability

	Adams Retirement System			Town of Adams		
	100%			52.38%		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at January 1, 2016	\$ 43,905,000	\$ 30,971,000	\$ 12,934,000	\$ 22,532,046	\$ 15,894,317	\$ 6,637,729
Net changes	<u>3,736,000</u>	<u>1,143,000</u>	<u>2,593,000</u>	<u>2,422,310</u>	<u>926,996</u>	<u>1,495,314</u>
Balances at December 31, 2016	<u>\$ 47,641,000</u>	<u>\$ 32,114,000</u>	<u>\$ 15,527,000</u>	<u>\$ 24,954,356</u>	<u>\$ 16,821,313</u>	<u>\$ 8,133,043</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	\$ 10,911,278	\$ 8,133,043	\$ 5,779,609

Deferred Inflows and Outflows of Resources

At June 30, 2017, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 519,610	\$ ---
Net difference between projected and actual investment earnings on pension plan assets	1,535,258	---
Changes in assumptions	470,896	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	---	---
Contributions subsequent to the measurement date	---	---
Total	<u>\$ 2,525,764</u>	<u>\$ ---</u>

Deferred outflow of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 837,032
2019	837,032
2020	619,132
2021	232,568
Total	<u>\$ 2,525,764</u>

Pension Plan Fiduciary Net Position

The Plan does not issue separate financial statements. An actuarial valuation is performed every two years, which is available through the Massachusetts Public Employee Retirement Administration Commission.

Payable to Pension Plan

At June 30, 2017, the Town reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

E. Deferred Compensation

A deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The Town has contracted with Nationwide Retirement Solutions to serve as the fiscal agent and to act as a third party administrator of the deferred compensation plan. The town withholds deferred compensation from participants' pay and remits the withholding to the fiscal agent, which invests the money in accordance with each participant's wishes.

The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Because the Town does not administer or give investment advice for the plan, in accordance with Governmental Accounting Standards Board Statement Number 32, "Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans", the Town does not report the deferred compensation plan in a fiduciary fund.

F. 2018 Budget

The Town has authorized a fiscal 2018 operating and capital budget which will be financed from the following sources:

Taxation	\$ 11,547,478
Local receipts	1,314,700
State payments	2,642,489
Revenue sources appropriated for particular purposes	<u>1,016,400</u>
Total budget	<u>\$ 16,521,067</u>

TOWN OF ADAMS, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Schedule of Retiree Health Plan Funding Progress
Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b-a)/c)
7/1/2009	\$ ---	\$ 10,270,542	\$ 10,270,542	0%	\$ 3,370,000	304.76%
7/1/2010	\$ ---	\$ 12,460,000	\$ 12,460,000	0%	\$ 3,420,000	364.33%
7/1/2011	\$ ---	\$ 12,950,000	\$ 12,950,000	0%	\$ 3,230,000	400.93%
7/1/2012	\$ ---	\$ 13,560,000	\$ 13,560,000	0%	\$ 3,310,000	409.67%
7/1/2013	\$ ---	\$ 13,330,000	\$ 13,330,000	0%	\$ 3,280,000	406.40%
7/1/2014	\$ ---	\$ 12,720,000	\$ 12,720,000	0%	\$ 3,380,000	376.33%
7/1/2015	\$ ---	\$ 10,960,000	\$ 10,960,000	0%	\$ 3,460,000	316.76%
7/1/2016	\$ ---	\$ 11,940,000	\$ 11,940,000	0%	\$ 3,210,000	371.96%

Trust Fund

In fiscal year 2016, the Town adopted Massachusetts General Law Chapter 32B, Section 20, authorizing the establishment of a separate fund, to be known as the Other Postemployment Benefits Liability Trust Fund, and other provisions as outlined in said statute. The balance in the trust fund at June 30, 2017 is \$20,020.

See independent auditors' report.

TOWN OF ADAMS, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

**Schedule of the Town's Proportionate Share
of the Net Pension Liability**

	Plan Year Ended December 31,		
	2016	2015	2014
Adams Retirement System net pension liability	\$ 15,527,000	\$ 12,934,000	\$ 9,685,000
Town's proportion of the net pension liability	52.38%	51.32%	51.63%
Town's proportionate share of the net pension liability	\$ 8,133,043	\$ 6,637,729	\$ 5,000,366
Town's covered-employee payroll	\$ 2,970,552	\$ 3,185,446	\$ 3,038,336
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	273.79%	208.38%	164.58%
Plan fiduciary net position as a percentage of the total pension liability	67.41%	70.54%	77.24%

Schedule of Town's Pension Contributions

	Plan Year Ended December 31,		
	2016	2015	2014
Adams Retirement System contractually required contribution	\$ 1,479,447	\$ 1,408,997	\$ 1,341,902
Town's contractually required contribution	\$ 758,069	\$ 738,033	\$ 688,664
Town's contribution made in relation to the contractually required contribution	(758,069)	(738,033)	(688,664)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---
Town's covered-employee payroll	\$ 2,970,552	\$ 3,185,446	\$ 3,038,336
Contributions as a percentage of covered-employee payroll	25.52%	23.17%	22.67%

Notes to the Required Supplementary Information

Changes of benefit terms: None

Changes of assumptions: Changes in economic and demographic assumptions

Last 10 years: Only plan years 2014, 2015, and 2016 available

See independent auditors' report.

Supplementary Information

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Federal, State, Highway and Streets, and Capital Projects Funds

These funds are used to account for the special federal and state grants that are legally restricted to the maintenance of state highways, police protection, cultural and recreation and other purposes within the government's boundaries.

Small Cities Program Fund

These funds are used to account for the federal community development block grant that is funding the revitalization project for economic development and low-income housing within the government.

Cemetery and Other Funds

These funds are used to account for private donations and alcoholic beverage tax revenues that are specifically restricted to the maintenance of the government's cemeteries and parks.

Permanent Trust Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Permanent Fund

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

Expendable Trust Funds

Expendable trust funds are held in a trustee capacity by the Town that accounts for assets and activities restricted to a specific purpose in accordance to the original intent. The principal of the funds can be expended towards only the activities specified. The Town maintains expendable trust funds for the following purposes: maintenance of cemeteries, community development, scholarships and other purposes.

TOWN OF ADAMS , MASSACHUSETTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended June 30, 2017

	Special Revenue						
	Federal Program Funds	State and Local Program Funds	Highways and Streets Fund	Capital Project Funds	Small Cities Program Fund	Cemetery and Other Funds	Total Special Revenue Funds
REVENUES							
Charges for services						\$ 16,690	\$ 16,690
Earnings on investments					\$ 115	577	692
Miscellaneous revenues						178,462	178,462
Intergovernmental revenues	\$ 2,260	\$ 198,589	\$ 427,449		406,514		1,034,812
TOTAL REVENUES	<u>2,260</u>	<u>198,589</u>	<u>427,449</u>	<u>\$ ---</u>	<u>406,629</u>	<u>195,729</u>	<u>1,230,656</u>
EXPENDITURES							
General Government		19,457		66,000		91,422	176,879
Community Development					406,629		406,629
Public Safety		60,431					60,431
Public Works, Buildings, Highways and Streets	2,260	11,050	427,449	9,176			449,935
Health and Human Services		23,070					23,070
Library		8,839				4,009	12,848
Cultural and Recreation		18,968				21,319	40,287
TOTAL EXPENDITURES	<u>2,260</u>	<u>141,815</u>	<u>427,449</u>	<u>75,176</u>	<u>406,629</u>	<u>116,750</u>	<u>1,170,079</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>---</u>	<u>56,774</u>	<u>---</u>	<u>(75,176)</u>	<u>---</u>	<u>78,979</u>	<u>60,577</u>
OTHER FINANCING SOURCES (USES)							
Transfers in						78,560	78,560
Transfers out						(60,750)	(60,750)
TOTAL OTHER FINANCING SOURCES (USES)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>17,810</u>	<u>17,810</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>---</u>	<u>56,774</u>	<u>---</u>	<u>(75,176)</u>	<u>---</u>	<u>96,789</u>	<u>78,387</u>
Fund balance, beginning	<u>---</u>	<u>349,090</u>	<u>---</u>	<u>108,496</u>	<u>---</u>	<u>531,638</u>	<u>989,224</u>
FUND BALANCE, ENDING	<u>\$ ---</u>	<u>\$ 405,864</u>	<u>\$ ---</u>	<u>\$ 33,320</u>	<u>\$ ---</u>	<u>\$ 628,427</u>	<u>\$ 1,067,611</u>

See independent auditors' report.

TOWN OF ADAMS, MASSACHUSETTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended June 30, 2017

	Trust Funds		Total Nonmajor Governmental Funds
	Nonexpendable Permanent	Expendable	
REVENUES			
Charges for services			\$ 16,690
Earnings on investments	\$ 86	\$ 2,222	3,000
Miscellaneous revenues	3,500	1,650	183,612
Intergovernmental revenues			1,034,812
TOTAL REVENUES	<u>3,586</u>	<u>3,872</u>	<u>1,238,114</u>
EXPENDITURES			
General Government		1,800	178,679
Community Development		820	407,449
Public Safety			60,431
Public Works, Buildings, Highways and Streets			449,935
Health and Human Services			23,070
Library	66		12,914
Cultural and Recreation		315	40,602
TOTAL EXPENDITURES	<u>66</u>	<u>2,935</u>	<u>1,173,080</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,520</u>	<u>937</u>	<u>65,034</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			78,560
Transfers out		(5,000)	(65,750)
TOTAL OTHER FINANCING SOURCES (USES)	<u>---</u>	<u>(5,000)</u>	<u>12,810</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES	<u>3,520</u>	<u>(4,063)</u>	<u>77,844</u>
Fund balance, beginning	<u>476,310</u>	<u>127,047</u>	<u>1,592,581</u>
FUND BALANCE, ENDING	<u>\$ 479,830</u>	<u>\$ 122,984</u>	<u>\$ 1,670,425</u>

See independent auditors' report.

TOWN OF ADAMS
SCHEDULE OF TAXES RECEIVABLE
For the Year Ended June 30, 2017

	Uncollected Tax July 1, 2016	Add Commitments	Deduct Abatements and Adjustments	Add (Deduct) Refunds and Adjustments	Add (Deduct) Transfers (to) from Tax Title Account	Deduct Collections	Uncollected Tax June 30, 2017
Real estate							
2017	\$ ---	\$ 10,534,360	\$ (118,481)	\$ ---	\$ (11,344)	\$ (10,122,959)	\$ 281,576
2016	343,975				(17,978)	(187,748)	138,249
2015	224,689				(17,132)	(106,883)	100,674
2014	152,733				(16,437)	(62,789)	73,507
2013	75,553				(14,630)	(14,740)	46,183
2012	49,202				(14,542)	(12,188)	22,472
2011	32,311				(13,478)	(5,672)	13,161
2010	25,063				(11,862)	(7,357)	5,844
2009	40,528				(27,461)	(7,318)	5,749
2008 and prior	128,482				(104,588)	(6,604)	17,290
Total real estate	<u>\$ 1,072,536</u>	<u>\$ 10,534,360</u>	<u>\$ (118,481)</u>	<u>\$ ---</u>	<u>\$ (249,452)</u>	<u>\$ (10,534,258)</u>	<u>\$ 704,705</u>
Personal property							
2017	\$ ---	\$ 597,601	\$ (8,875)	\$ ---	\$ ---	\$ (586,610)	\$ 2,116
2016	5,899					(4,277)	1,622
2015	6,098					(3,276)	2,822
2014	6,555					(4,273)	2,282
2013	1,296						1,296
2012	939						939
2011	961						961
2010 and prior	13,599						13,599
Total personal property	<u>\$ 35,347</u>	<u>\$ 597,601</u>	<u>\$ (8,875)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (598,436)</u>	<u>\$ 25,637</u>
Motor vehicle							
2017	\$ ---	\$ 887,076	\$ (16,166)	\$ ---	\$ ---	\$ (744,577)	\$ 126,333
2016	117,177	99,239	(2,771)			(189,797)	23,848
2015	19,246			1,828		(12,035)	9,039
2014	5,921	25				(1,454)	4,492
2013	6,734					(731)	6,003
2012	4,644					(476)	4,168
2011	3,186					(279)	2,907
2010 and prior	48,464					(479)	47,985
Total motor vehicle	<u>\$ 205,372</u>	<u>\$ 986,340</u>	<u>\$ (18,937)</u>	<u>\$ 1,828</u>	<u>\$ ---</u>	<u>\$ (949,828)</u>	<u>\$ 224,775</u>

See independent auditors' report.

TOWN OF ADAMS, MASSACHUSETTS
RECONCILIATION OF TREASURER'S CASH
On June 30, 2017

As of June 30, 2017 cash and short-term investments consisted of the following balances:

Cash in savings, checking, and short-term investment accounts:

TD Bank	\$ 51,197
Adams Community Bank	1,582,906
Unibank	3,876,499
Century Bank	34,467
Value Line	11,044
Total	<u>5,556,113</u>
 Petty cash	 <u>590</u>
 Total cash and short-term investments	 <u><u>\$ 5,556,703</u></u>

Cash and time deposits are presented in the financial statements as follows:

General fund	\$ 3,816,933
Special revenue funds	1,136,956
Expendable trust funds	122,984
Non-expendable trust funds	<u>479,830</u>
 Total Treasurer's cash and short-term investments	 <u><u>\$ 5,556,703</u></u>

See independent auditors' report.



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Carol Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA

INDEPENDENT AUDITORS' 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 Board of Selectmen
TOWN OF ADAMS, 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, each major fund, and the aggregate remaining fund information of the Town of Adams, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Adams, Massachusetts' basic financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Adams, Massachusetts' financial statements are free from 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*.

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.

Adelson + Company PC

ADELSON & COMPANY PC
Pittsfield, MA

February 26, 2018



TOWN OF ADAMS, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
JUNE 30, 2017

SUMMARY OF AUDITORS' RESULTS

Prior Year Finding: 2016-001 Untimely Reconciliation of Cash

Reportable Condition:

The Town did not reconcile the cash accounts in a timely manner.

Recommendation:

We recommended that the Treasurer reconcile the bank accounts in a timely manner each month, and consider enrolling in a training program or working with the Town Accountant to become more proficient at the process.

Current Status:

For the year ended June 30, 2017, the Treasurer reconciled all of the Town's bank accounts accurately and in a timely manner. The Treasurer has worked closely with the Town Accountant to ensure the process is being done more proficiently.