

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**

**Report on the Examination  
Of Basic Financial Statements**

**For the Year Ended June 30, 2020**

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## **Independent Auditor's Report**

To the Honorable Selectboard  
Town of South Hadley, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Hadley, Massachusetts, as of and for the year ended June 30, 2020 (except for the South Hadley Electric Light Department, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements which collectively comprise the Town of South Hadley, Massachusetts' basic financial statements as listed in the table of contents. We did not audit the financial statements of the South Hadley Electric Light Department, which is both a major fund and 59 percent, 66 percent and 75 percent, respectively, of the assets, net position and operating revenues of the business-type activities.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Hadley Electric Light Department, which represent 59 percent, 66 percent and 75 percent, respectively, of the assets, net position and operating revenues of the business-type activities. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Hadley Electric Light Department, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Hadley, Massachusetts, as of June 30, 2020, (except for the South Hadley Electric Light Department, which is as of and for the year ended December 31, 2019), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Hadley, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021, on our consideration of the Town of South Hadley, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of South Hadley, Massachusetts' internal control over financial reporting and compliance.

## *Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts  
May 14, 2021

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

## Management's Discussion and Analysis

As management of the Town of South Hadley, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

### Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$32,946,791 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$33,822,828, a decrease of \$876,037 (3%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$14,903,438, a decrease of \$476,689 (3%) in comparison with the prior year.
- The General Fund's total fund balance increased \$1,499,284 (15%) to \$11,544,329. The ending General fund balance is 22% of revenues and transfers in and 23% of expenditures and transfers out.
- Total liabilities of the Town increased by \$2,586,245 (2%) to \$108,302,283 during the fiscal year. This net change resulted mainly from net increases in other liabilities of \$603,072, in bond anticipation notes payable of \$3,415,000, and in the other post employment benefit (OPEB) liability of \$1,414,610; and net decreases in the pension liability of \$516,421 and in bonds payable of \$2,222,785.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$4,309,770. The key factors that attributed to the free cash amount for fiscal year 2020 were unexpended/unencumbered appropriations of \$1,056,000, excess over budget – State and local receipts of \$1,270,700 and prior year free cash not appropriated of \$2,054,300.
- The Town's enterprise funds certified free cash is as follows:
  - Landfill fund \$ 395,411.
  - Sewer Fund \$ 1,051,470.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of South Hadley's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, landfill, municipal golf course, and electric light activities.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of South Hadley adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, landfill, municipal golf course, and electric light activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

## Financial Highlights

### Statement of Net Position Highlights

|   | Governmental Activities |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2020                    | 2019                | Change              |
| <b>Assets:</b>                              |                         |                     |                     |
| Current assets                              | \$ 25,754,806           | \$ 21,840,974       | \$ 3,913,832        |
| Capital assets                              | 65,325,330              | 65,935,729          | (610,399)           |
| <b>Total assets</b>                         | <b>91,080,136</b>       | <b>87,776,703</b>   | <b>3,303,433</b>    |
| <b>Total Deferred Outflows of Resources</b> | <b>7,720,224</b>        | <b>7,798,979</b>    | <b>(78,755)</b>     |
| <b>Liabilities:</b>                         |                         |                     |                     |
| Current liabilities (excluding debt)        | 4,246,326               | 3,775,329           | 470,997             |
| Current debt                                | 6,322,000               | 2,967,000           | 3,355,000           |
| Noncurrent liabilities (excluding debt)     | 63,175,495              | 63,048,394          | 127,101             |
| Noncurrent debt                             | 19,275,000              | 20,765,000          | (1,490,000)         |
| <b>Total liabilities</b>                    | <b>93,018,821</b>       | <b>90,555,723</b>   | <b>2,463,098</b>    |
| <b>Deferred Inflows of Resources</b>        | <b>7,212,239</b>        | <b>5,653,095</b>    | <b>1,559,144</b>    |
| <b>Net Position:</b>                        |                         |                     |                     |
| Net investment in capital assets            | 39,740,664              | 42,228,396          | (2,487,732)         |
| Restricted                                  | 8,009,771               | 5,974,140           | 2,035,631           |
| Unrestricted                                | (49,181,135)            | (48,835,672)        | (345,463)           |
| <b>Total net position</b>                   | <b>\$ (1,430,700)</b>   | <b>\$ (633,136)</b> | <b>\$ (797,564)</b> |

|  | Business-Type Activities |                      |                    |
|--|--------------------------|----------------------|--------------------|
|  | 2020                     | 2019                 | Change             |
| <b>Assets:</b>                               |                          |                      |                    |
| Current assets                               | \$ 30,291,966            | \$ 31,612,563        | \$ (1,320,597)     |
| Noncurrent assets (excluding capital assets) | 489,286                  | 627,051              | (137,765)          |
| Capital assets                               | 17,759,616               | 16,570,126           | 1,189,490          |
| <b>Total assets</b>                          | <b>48,540,868</b>        | <b>48,809,740</b>    | <b>(268,872)</b>   |
| <b>Total Deferred Outflows of Resources</b>  | <b>1,895,859</b>         | <b>1,543,299</b>     | <b>352,560</b>     |
| <b>Liabilities:</b>                          |                          |                      |                    |
| Current liabilities (excluding debt)         | 2,361,198                | 2,013,301            | 347,897            |
| Current debt                                 | 613,984                  | 672,786              | (58,802)           |
| Noncurrent liabilities (excluding debt)      | 7,851,382                | 7,403,347            | 448,035            |
| Noncurrent debt                              | 4,456,898                | 5,070,881            | (613,983)          |
| <b>Total liabilities</b>                     | <b>15,283,462</b>        | <b>15,160,315</b>    | <b>123,147</b>     |
| <b>Deferred Inflows of Resources</b>         | <b>775,774</b>           | <b>736,760</b>       | <b>39,014</b>      |
| <b>Net Position:</b>                         |                          |                      |                    |
| Net investment in capital assets             | 12,759,169               | 10,925,718           | 1,833,451          |
| Restricted                                   | 11,624,241               | 12,805,693           | (1,181,452)        |
| Unrestricted                                 | 9,994,081                | 10,724,553           | (730,472)          |
| <b>Total net position</b>                    | <b>\$ 34,377,491</b>     | <b>\$ 34,455,964</b> | <b>\$ (78,473)</b> |

## Financial Highlights

### Statement of Activities Highlights

|   | Governmental Activities |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | 2020                    | 2019                | Change              |
| <b>Program Revenues:</b>                |                         |                     |                     |
| Charges for services                    | \$ 1,562,976            | \$ 1,734,185        | \$ (171,209)        |
| Operating grants and contributions      | 18,594,723              | 17,109,379          | 1,485,344           |
| Capital grants and contributions        | 1,106,059               | 1,973,651           | (867,592)           |
| <b>General Revenues:</b>                |                         |                     |                     |
| Property taxes                          | 29,027,912              | 28,170,723          | 857,189             |
| Motor vehicle excise and other taxes    | 2,386,094               | 2,290,468           | 95,626              |
| Meals taxes                             | 170,864                 | 183,645             | (12,781)            |
| Penalties and interest on taxes         | 158,489                 | 192,899             | (34,410)            |
| Nonrestricted grants                    | 2,953,249               | 2,805,738           | 147,511             |
| Unrestricted investment income          | 276,582                 | 380,675             | (104,093)           |
| Miscellaneous                           | 404                     | 37,688              | (37,284)            |
| <b>Total revenues</b>                   | <b>56,237,352</b>       | <b>54,879,051</b>   | <b>1,358,301</b>    |
| <b>Expenses:</b>                        |                         |                     |                     |
| General government                      | 2,669,929               | 2,475,835           | 194,094             |
| Public safety                           | 3,476,138               | 3,549,175           | (73,037)            |
| Public works                            | 2,488,971               | 2,238,209           | 250,762             |
| Education                               | 27,098,276              | 27,652,647          | (554,371)           |
| Health and human services               | 1,114,102               | 1,375,574           | (261,472)           |
| Culture and recreation                  | 1,574,774               | 2,045,065           | (470,291)           |
| Employee benefits and insurance         | 16,454,259              | 15,164,626          | 1,289,633           |
| State assessments                       | 2,454,713               | 2,324,072           | 130,641             |
| Interest                                | 859,067                 | 861,448             | (2,381)             |
| <b>Total expenses</b>                   | <b>58,190,229</b>       | <b>57,686,651</b>   | <b>503,578</b>      |
| <b>Net (expenses) revenues</b>          | <b>(1,952,877)</b>      | <b>(2,807,600)</b>  | <b>854,723</b>      |
| <b>Transfers</b>                        | <b>1,155,313</b>        | <b>889,116</b>      | <b>266,197</b>      |
| <b>Change in net position</b>           | <b>(797,564)</b>        | <b>(1,918,484)</b>  | <b>1,120,920</b>    |
| <b>Net position - beginning of year</b> | <b>(633,136)</b>        | <b>1,285,348</b>    | <b>(1,918,484)</b>  |
| <b>Net position - end of year</b>       | <b>\$ (1,430,700)</b>   | <b>\$ (633,136)</b> | <b>\$ (797,564)</b> |

|   | <b>Business-Type Activities</b> |                      |                    |
|---|---------------------------------|----------------------|--------------------|
|   | <b>2020</b>                     | <b>2019</b>          | <b>Change</b>      |
| <b>Program Revenues:</b>                |                                 |                      |                    |
| Charges for services                    | \$ 18,462,833                   | \$ 19,027,227        | \$ (564,394)       |
| Operating grants and contributions      | 854,225                         | 649,345              | 204,880            |
| Capital grants and contributions        | 45,282                          | 2,974                | 42,308             |
| <b>Total revenues</b>                   | <b>19,362,340</b>               | <b>19,679,546</b>    | <b>(317,206)</b>   |
| <b>Expenses:</b>                        |                                 |                      |                    |
| Sewer                                   | 1,733,573                       | 1,664,426            | 69,147             |
| Landfill                                | 1,454,234                       | 1,422,902            | 31,332             |
| Municipal Golf Course                   | 1,273,297                       | 1,540,368            | (267,071)          |
| Electric Light Department               | 14,586,896                      | 14,860,079           | (273,183)          |
| <b>Total expenses</b>                   | <b>19,048,000</b>               | <b>19,487,775</b>    | <b>(439,775)</b>   |
| <b>Net (expenses) revenues</b>          | <b>314,340</b>                  | <b>191,771</b>       | <b>122,569</b>     |
| <b>Transfers</b>                        | <b>(392,813)</b>                | <b>(195,102)</b>     | <b>(197,711)</b>   |
| <b>Change in net position</b>           | <b>(78,473)</b>                 | <b>(3,331)</b>       | <b>(75,142)</b>    |
| <b>Net position - beginning of year</b> | <b>34,455,964</b>               | <b>34,459,295</b>    | <b>(3,331)</b>     |
| <b>Net position - end of year</b>       | <b>\$ 34,377,491</b>            | <b>\$ 34,455,964</b> | <b>\$ (78,473)</b> |

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,946,791 at the close of fiscal year 2020.

Net position of \$52,499,833 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$19,634,012, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$39,187,054).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB and pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The Town is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position decreased by \$797,564 (126%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2020 are attributed to an increase in the change in debt of \$1,537,667 and in the pension liability of \$965,232; and decreases due to the depreciation expense (normally spread out over the useful life of the asset) for the year of \$3,705,144 exceeding the acquisition of \$3,094,745 in new capital assets, and as a result of recognizing this year's net changes in the OPEB liability of \$1,277,033 and in the deferred outflow/(inflow) of resources related to pensions of \$1,286,610.

There was a decrease of \$78,473 in net position reported in the business-type activities. Of this, there were increases attributed to the sewer fund of \$344,267 and the municipal golf course fund of \$40,754; and decreases to the landfill fund of \$416,510 and the electric light fund (as of December 31, 2019) of \$46,984.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14,903,438, a decrease of \$476,689 (3%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance – \$80,200 (1%).
- Restricted fund balance – \$4,690,270 (31%).
- Committed fund balance – \$1,387,791 (9%).
- Assigned fund balance – \$1,371,873 (9%).
- Unassigned fund balance – \$7,373,304 (50%).

### **Major Governmental Funds**

At the end of the fiscal year, the General Fund reported a total fund balance of \$11,544,329 increasing \$1,499,284 (15%) from the prior year. Of the \$11,544,329, the unassigned amount is \$9,956,806 (86%), the assigned amount is \$1,371,873 (12%) and the restricted amount is \$215,650 (2%). General fund revenues of \$50,382,974 were \$2,782,425 (6%) more than the prior year and expenditures of \$49,167,284 also increased by \$1,655,297 (3%). Other activities in the General Fund are net transfers to other funds of \$283,594.

The main components of the increases in general fund revenues were related to increases in property taxes of \$1,013,529 (4%) and in intergovernmental "on-behalf payments of \$1,361,610 (31%) from the prior year.

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

- Increase in Employee benefits and insurance expenditures of \$1,584,714 (12%).

The *Senior Center Construction Fund* is used to account for the accumulation of resources to build of a new facility. The fund has a deficit balance of \$1,194,687 at the end of the fiscal year and shows a decrease of \$932,403 (355%) attributed to expenditures for the year. The Town has issued bond anticipation notes of \$2.6 million which is not reflected in the Fund Balance. The fund ended the year with a negative balance due to the interim financing with bond anticipation notes. Permanent financing will be done once the project nears completion which will eliminate the deficit.

**Proprietary funds.** The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

#### Major Proprietary Funds

The *Sewer Fund* has accumulated a net position of \$6,474,621 used in the financing and operations of the Town's sewer system and shows an increase of \$344,267 (6%). This was due to operating revenues exceeding operating expenditures by \$776,553, investment income of \$35,793, intergovernmental receipts of \$1,917, interest expense of \$50,399 and net transfers to the general fund of \$419,597. The operating revenues increased by \$149,880 (6%) and operating expenses also increased by \$80,409 (5%) over the prior year.

The *Landfill fund* has accumulated a net position of \$4,632,261 used to account for the landfill and recycling activities. The landfill fund shows a decrease of \$416,510 (8%). This was due to operating expenditures exceeding operating revenues by \$286,762, investment income of \$6,725 and net transfers to the general fund of \$136,473. The operating revenues increased by \$172,827 (17%) and operating expenses also increased by \$31,332 (2%) over the prior year.

The *Municipal Golf Course Fund* has accumulated a net position of \$736,545 used in the financing and operations of the Town's Municipal Golf Course and shows an increase of \$40,754 (6%). This is attributed to operating expenses exceeding operating revenues by \$201,282, interest expense of \$98,721 and net transfers from the general fund of \$340,757 to cover the operations of the municipal golf course. Operating revenues decreased \$84,721 (8%) and operating expenses also decreased by \$254,953 (18%) from the prior year.

The *Electric light fund* (as of December 31, 2019) has accumulated a net position of \$22,534,064 used to account for activities of the Town's electric distribution operations. The electric light net position shows a decrease of \$46,984 (.2%) attributed to operating expenditures exceeding operating revenues by \$718,556, investment and other income of \$635,531, capital contributions of \$45,282, gain on disposal of capital assets of \$169,259, and net transfers to the general fund of \$177,500. Operating revenues decreased \$802,380 (5%) and operating expenses also decreased by \$278,183 (2%) from the prior year.

#### General Fund Budgetary Highlights

The final general fund budget for fiscal year 2020 was \$45,479,409. This was an increase of \$533,531 (1%) from the previous year's budget.

There was an increase between the total original budget and the total final amended budget. The change is attributed to votes from available funds at special town meeting in November 2019 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,053,152. Of the \$2,053,152 in under budgeted expenditures, \$977,110 has been carried over to fiscal year 2021.

There is a negative variance in debt service (interest) of \$1,471 as expenses exceeded budget expectations.

The variance with the final budget was a positive \$2,393,227 consisting of a revenue surplus of \$1,337,185 and an appropriation surplus of \$1,056,042.

#### Capital Asset and Debt Administration

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$65,325,330 and \$17,759,616, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Phone system for \$33,229.
- Police vehicle purchases for \$82,237.
- Highway vehicle and equipment purchases for \$206,752.
- Road and sidewalk improvements for \$765,502.
- Senior Center improvements for \$1,832,403.
- Dog park improvements for \$147,388.
- River to Range Trail improvements for \$20,540.
- Leaping Well Brook improvements for \$6,693.

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

Sewer fund:

- Equipment purchases for \$220,733.
- Wastewater Treatment Plant upgrades for \$206,426.

Electric Light fund:

- Land purchase of \$55,135.
- Infrastructure improvements for approximately \$2,720,059.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2020, totaled \$20,765,000. The primary debt is school construction debt of \$12,645,000, various building improvements of \$6,570,000, land acquisition of \$140,000, departmental vehicles and equipment of \$640,000 and road and sidewalk improvements for \$770,000.

The governmental activities have bond anticipation notes outstanding in the amount of \$4,832,000 as of June 30, 2020, of which, \$2,600,000 is for the Senior Center construction and \$2,232,000 for various other improvement projects and departmental equipment.

The business-type funds have a total of \$5,070,882, of which \$2,365,882 is for sewer debt and \$2,705,000 for municipal golf course debt.

Please refer to notes 3D, 3F, and 3G for further discussion of the major capital and debt activity.

### **Next Year's Annual Town Meeting**

The Town of South Hadley operates under the "Representative Town Meeting" concept where each voter elects a representative to vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2020 do not reflect the fiscal year 2021 Town Meeting action with the exception of the fund balance (free cash) amount used to fund the fiscal year 2021 budget.

The Annual Town Meeting on June 17, 2020 authorized a fiscal year 2021 operating and capital budget as follows:

|  |    |                |                      |
|--|----|----------------|----------------------|
| From raise and appropriate   |    | \$             | 43,130,037           |
| From Wastewater Treatment Plant and<br>Collection System Department Receipts |    |                | 1,863,747            |
| From Sanitary Landfill Department Receipts                                   | \$ | 1,188,086      |                      |
| From Sanitary Landfill Retained Earnings                                     |    | <u>150,000</u> | 1,338,086            |
| From Municipal Golf Course Receipts  |    |                | 1,232,768            |
| From Other Available Funds:  |    |                |                      |
| <b>General Fund:</b>   |    |                |                      |
| Unassigned fund balance:   |    |                |                      |
| Free cash  |    |                | 374,763              |
| <b>Non-major Governmental Funds:</b>   |    |                |                      |
| Dog Refund   |    | 17,000         |                      |
| Gifts and Donations  |    | 2,000          |                      |
| Media One Video Studio   |    | 167,756        |                      |
| State Aid to Library   |    | 12,900         |                      |
| Waterway Improvement Fund  |    | <u>3,500</u>   | 203,156              |
|  |    |                | <u>\$ 48,142,557</u> |

**Requests for Information**

This financial report is designed to provide a general overview of the Town of South Hadley’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 116 Main Street, South Hadley, Massachusetts 01075.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b>ASSETS</b>                                     |                            |                             |               |
| <b>CURRENT:</b>                                   |                            |                             |               |
| Cash and Cash Equivalents                         | \$ 14,019,918              | \$ 4,400,826                | \$ 18,420,744 |
| Investments                                       | 8,798,460                  | 7,138,424                   | 15,936,884    |
| MLDM Reserve Trust                                | -                          | 8,874,160                   | 8,874,160     |
| Receivables, net of allowance for uncollectibles: |                            |                             |               |
| Property Taxes                                    | 581,294                    | -                           | 581,294       |
| Tax Liens   | 289,828                    | -                           | 289,828       |
| Excise Taxes                                      | 277,743                    | -                           | 277,743       |
| User Charges                                      | -                          | 551,333                     | 551,333       |
| Departmental                                      | 500                        | -                           | 500           |
| Due from Other Governments                        | 1,686,776                  | -                           | 1,686,776     |
| Due From/(To) Other Funds                         | 100,287                    | (100,287)                   | -             |
| Inventory   | -                          | 925,111                     | 925,111       |
| Prepaid Expense                                   | -                          | 1,010,093                   | 1,010,093     |
| Restricted:                                       |                            |                             |               |
| Customers' Deposits                               | -                          | 461,359                     | 461,359       |
| Depreciation Fund                                 | -                          | 5,950,160                   | 5,950,160     |
| Purchases Power Advances                          | -                          | 1,080,787                   | 1,080,787     |
| Total current assets                              | 25,754,806                 | 30,291,966                  | 56,046,772    |
| <b>NONCURRENT:</b>                                |                            |                             |               |
| Receivables, net of allowance for uncollectibles: |                            |                             |               |
| Preliminary Survey and Investigation Charges      | -                          | 489,286                     | 489,286       |
| Capital Assets, net of accumulated Depreciation   |                            |                             |               |
| Nondepreciable                                    | 5,974,196                  | 1,451,924                   | 7,426,120     |
| Depreciable                                       | 59,351,134                 | 16,307,692                  | 75,658,826    |
| Total noncurrent assets                           | 65,325,330                 | 18,248,902                  | 83,574,232    |
| <b>Total Assets</b>                               | 91,080,136                 | 48,540,868                  | 139,621,004   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                            |                             |               |
| Deferred Loss on Refunding                        | 12,334                     | 70,435                      | 82,769        |
| Deferred Outflows Related to Pensions             | 4,547,939                  | 1,440,325                   | 5,988,264     |
| Deferred Outflows Related to OPEB                 | 3,159,951                  | 385,099                     | 3,545,050     |
| <b>Total Deferred Outflows of Resources</b>       | \$ 7,720,224               | \$ 1,895,859                | \$ 9,616,083  |

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

(Continued)

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>LIABILITIES</b>                         |                            |                             |                      |
| <b>CURRENT:</b>                            |                            |                             |                      |
| Accounts Payable                           | \$ 917,898                 | \$ 1,693,928                | \$ 2,611,826         |
| Accrued Payroll                            | 2,220,645                  | 11,683                      | 2,232,328            |
| Payroll Withholdings                       | 171,070                    | -                           | 171,070              |
| Accrued Interest                           | 155,947                    | 53,914                      | 209,861              |
| Deposits                                   | -                          | 461,459                     | 461,459              |
| Other                                      | 660,310                    | -                           | 660,310              |
| Compensated Absences                       | 120,456                    | 140,214                     | 260,670              |
| Bond Anticipation Notes Payable            | 4,832,000                  | -                           | 4,832,000            |
| Bonds Payable                              | 1,490,000                  | 613,984                     | 2,103,984            |
| Total current liabilities                  | <u>10,568,326</u>          | <u>2,975,182</u>            | <u>13,543,508</u>    |
| <b>NONCURRENT:</b>                         |                            |                             |                      |
| Compensated Absences                       | 381,244                    | 97,042                      | 478,286              |
| Other                                      | -                          | 150,000                     | 150,000              |
| Net OPEB Liability                         | 42,180,936                 | 2,100,236                   | 44,281,172           |
| Net Pension Liability                      | 20,613,315                 | 5,504,104                   | 26,117,419           |
| Bonds Payable                              | 19,275,000                 | 4,456,898                   | 23,731,898           |
| Total noncurrent liabilities               | <u>82,450,495</u>          | <u>12,308,280</u>           | <u>94,758,775</u>    |
| <b>Total Liabilities</b>                   | <u>93,018,821</u>          | <u>15,283,462</u>           | <u>108,302,283</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                            |                             |                      |
| Deferred Inflows Related to Pensions       | 5,597,985                  | 436,091                     | 6,034,076            |
| Deferred Inflows Related to OPEB           | 1,614,254                  | 188,693                     | 1,802,947            |
| Rate Stabilization Reserve                 | -                          | 150,990                     | 150,990              |
| <b>Total Deferred Inflows of Resources</b> | <u>7,212,239</u>           | <u>775,774</u>              | <u>7,988,013</u>     |
| <b>NET POSITION</b>                        |                            |                             |                      |
| Net Investment in Capital Assets           | 39,740,664                 | 12,759,169                  | 52,499,833           |
| Restricted for:                            |                            |                             |                      |
| Capital Projects                           | 3,273,284                  | 407,636                     | 3,680,920            |
| Federal & State Grants                     | 2,294,947                  | -                           | 2,294,947            |
| Permanent Funds:                           |                            |                             |                      |
| Expendable                                 | 82,537                     | -                           | 82,537               |
| Nonexpendable                              | 80,200                     | -                           | 80,200               |
| Other Purposes                             | 2,278,803                  | 11,216,605                  | 13,495,408           |
| Unrestricted                               | (49,181,135)               | 9,994,081                   | (39,187,054)         |
| <b>Total Net Position</b>                  | <u>\$ (1,430,700)</u>      | <u>\$ 34,377,491</u>        | <u>\$ 32,946,791</u> |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | <u>Program Revenues</u> |                                 |   |   | <u>Net (Expenses) Revenues and Changes in Net Position</u> |                                     |                      |
|--|-------------------------|---------------------------------|---|---|--|-------------------------------------|----------------------|
|  | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                         | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
| <b>Governmental Activities:</b>                            |                         |                                 |   |   |  |                                     |                      |
| General Government   | \$ 2,669,929            | \$ 240,614                      | \$ 509,820  | \$ -  | \$ (1,919,495)   | \$ -                                | \$ (1,919,495)       |
| Public Safety  | 3,476,138               | 689,584                         | 147,949   | -   | (2,638,605)  | -                                   | (2,638,605)          |
| Public Works   | 2,488,971               | 13,251                          | 44,150  | 888,646   | (1,542,924)  | -                                   | (1,542,924)          |
| Education  | 27,098,276              | 344,092                         | 11,663,817  | -   | (15,090,367)   | -                                   | (15,090,367)         |
| Health and Human Services                                  | 1,114,102               | 82,765                          | 383,439   | -   | (647,898)  | -                                   | (647,898)            |
| Culture and Recreation                                     | 1,574,774               | 192,670                         | 61,984  | 217,413   | (1,102,707)  | -                                   | (1,102,707)          |
| Employee Benefits and Insurance                            | 16,454,259              | -                               | 5,757,430   | -   | (10,696,829)   | -                                   | (10,696,829)         |
| State Assessments  | 2,454,713               | -                               | -   | -   | (2,454,713)  | -                                   | (2,454,713)          |
| Interest   | 859,067                 | -                               | 26,134  | -   | (832,933)  | -                                   | (832,933)            |
| <b>Total Governmental Activities</b>                       | <b>58,190,229</b>       | <b>1,562,976</b>                | <b>18,594,723</b>                                 | <b>1,106,059</b>                                | <b>(36,926,471)</b>  | <b>-</b>                            | <b>(36,926,471)</b>  |
| <b>Business-Type Activities:</b>                           |                         |                                 |   |   |  |                                     |                      |
| Sewer  | 1,733,573               | 2,459,727                       | 37,710  | -   | -  | 763,864                             | 763,864              |
| Landfill   | 1,454,234               | 1,167,472                       | 6,725   | -   | -  | (280,037)                           | (280,037)            |
| Municipal Golf Course                                      | 1,273,297               | 973,294                         | -   | -   | -  | (300,003)                           | (300,003)            |
| Electric Light   | 14,586,896              | 13,862,340                      | 809,790   | 45,282  | -  | 130,516                             | 130,516              |
| <b>Total Primary Government</b>                            | <b>\$ 77,238,229</b>    | <b>\$ 20,025,809</b>            | <b>\$ 19,448,948</b>                              | <b>\$ 1,151,341</b>                             | <b>(36,926,471)</b>  | <b>314,340</b>                      | <b>(36,612,131)</b>  |
| <b>General Revenues:</b>                                   |                         |                                 |   |   |  |                                     |                      |
| Property Taxes   |                         |                                 |   |   | 29,027,912   | -                                   | 29,027,912           |
| Motor vehicle and other excise taxes                       |                         |                                 |   |   | 2,386,094  | -                                   | 2,386,094            |
| Meals taxes  |                         |                                 |   |   | 170,864  | -                                   | 170,864              |
| Penalties & Interest on taxes                              |                         |                                 |   |   | 158,489  | -                                   | 158,489              |
| Grants & Contributions not restricted to specific programs |                         |                                 |   |   | 2,953,249  | -                                   | 2,953,249            |
| Unrestricted Investment Income                             |                         |                                 |   |   | 276,582  | -                                   | 276,582              |
| Miscellaneous  |                         |                                 |   |   | 404  | -                                   | 404                  |
| <b>Transfers, net</b>                                      |                         |                                 |   |   | <b>1,155,313</b>   | <b>(392,813)</b>                    | <b>762,500</b>       |
| <b>Total General Revenues and Transfers</b>                |                         |                                 |   |   | <b>36,128,907</b>  | <b>(392,813)</b>                    | <b>35,736,094</b>    |
| <b>Change in Net Position</b>                              |                         |                                 |   |   | <b>(797,564)</b>   | <b>(78,473)</b>                     | <b>(876,037)</b>     |
| <b>Net Position:</b>                                       |                         |                                 |   |   |  |                                     |                      |
| Beginning of year  |                         |                                 |   |   | (633,136)  | 34,455,964                          | 33,822,828           |
| End of year  |                         |                                 |   |   | <b>\$ (1,430,700)</b>                                      | <b>\$ 34,377,491</b>                | <b>\$ 32,946,791</b> |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

|   | General<br>Fund      | Senior Center<br>Construction<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------------------------|-----------------------------------|--------------------------------|
| <b>Assets:</b>  |                      |                                       |                                   |                                |
| Cash and Cash Equivalents   | \$ 7,288,756         | \$ 1,405,313                          | \$ 5,325,849                      | \$ 14,019,918                  |
| Investments   | 7,128,303            | -                                     | 1,670,157                         | 8,798,460                      |
| Receivables, net of allowance for uncollectibles:                             |                      |                                       |                                   |                                |
| Property Taxes  | 581,294              | -                                     | -                                 | 581,294                        |
| Tax Liens   | 289,828              | -                                     | -                                 | 289,828                        |
| Excise Taxes  | 277,743              | -                                     | -                                 | 277,743                        |
| Departmental  | 500                  | -                                     | -                                 | 500                            |
| Due from Other Governments  | 174,326              | -                                     | 1,512,450                         | 1,686,776                      |
| Due from Other Funds  | 100,287              | -                                     | -                                 | 100,287                        |
| <b>Total Assets</b>   | <b>\$ 15,841,037</b> | <b>\$ 1,405,313</b>                   | <b>\$ 8,508,456</b>               | <b>\$ 25,754,806</b>           |
| <b>Liabilities:</b>   |                      |                                       |                                   |                                |
| Warrants and Accounts Payable   | \$ 749,370           | \$ -                                  | \$ 168,528                        | \$ 917,898                     |
| Accrued Payroll   | 2,206,925            | -                                     | 13,720                            | 2,220,645                      |
| Employee Withholdings   | 171,070              | -                                     | -                                 | 171,070                        |
| Other   | 1,652                | -                                     | 627,947                           | 629,599                        |
| Bond Anticipation Notes Payable   | -                    | 2,600,000                             | 2,232,000                         | 4,832,000                      |
| <b>Total Liabilities</b>  | <b>3,129,017</b>     | <b>2,600,000</b>                      | <b>3,042,195</b>                  | <b>8,771,212</b>               |
| <b>Deferred Inflows of Resources:</b>   |                      |                                       |                                   |                                |
| Unavailable Revenue   | 1,167,691            | -                                     | 912,465                           | 2,080,156                      |
| <b>Fund Balance:</b>  |                      |                                       |                                   |                                |
| Nonspendable  | -                    | -                                     | 80,200                            | 80,200                         |
| Restricted  | 215,650              | -                                     | 4,474,620                         | 4,690,270                      |
| Committed   | -                    | -                                     | 1,387,791                         | 1,387,791                      |
| Assigned  | 1,371,873            | -                                     | -                                 | 1,371,873                      |
| Unassigned  | 9,956,806            | (1,194,687)                           | (1,388,815)                       | 7,373,304                      |
| <b>Total Fund Balance</b>   | <b>11,544,329</b>    | <b>(1,194,687)</b>                    | <b>4,553,796</b>                  | <b>14,903,438</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b> | <b>\$ 15,841,037</b> | <b>\$ 1,405,313</b>                   | <b>\$ 8,508,456</b>               | <b>\$ 25,754,806</b>           |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | General<br>Fund      | Senior Center<br>Construction<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------------------------|-----------------------------------|--------------------------------|
| <b>Revenues:</b>  |                      |                                       |                                   |                                |
| Property Taxes  | \$ 29,087,091        | \$ -                                  | \$ -                              | \$ 29,087,091                  |
| Intergovernmental                                       | 11,952,676           | -                                     | 3,788,408                         | 15,741,084                     |
| Excise and Other Taxes                                  | 2,449,833            | -                                     | 4,764                             | 2,454,597                      |
| Charges for Services                                    | -                    | -                                     | 926,021                           | 926,021                        |
| Licenses, Permits, Fees                                 | 717,276              | -                                     | -                                 | 717,276                        |
| Interest on Taxes                                       | 158,489              | -                                     | -                                 | 158,489                        |
| Investment Income                                       | 276,582              | -                                     | 29,962                            | 306,544                        |
| Gifts and Donations                                     | -                    | -                                     | 271,010                           | 271,010                        |
| Other   | -                    | -                                     | 250,195                           | 250,195                        |
| Intergovernmental - "On-behalf" Payments                | 5,741,027            | -                                     | -                                 | 5,741,027                      |
| <b>Total Revenues</b>                                   | <b>50,382,974</b>    | <b>-</b>                              | <b>5,270,360</b>                  | <b>55,653,334</b>              |
| <b>Expenditures:</b>                                    |                      |                                       |                                   |                                |
| Current:  |                      |                                       |                                   |                                |
| General Government                                      | 2,338,963            | -                                     | 284,578                           | 2,623,541                      |
| Public Safety   | 2,986,062            | -                                     | 457,147                           | 3,443,209                      |
| Public Works  | 1,509,834            | -                                     | 1,006,353                         | 2,516,187                      |
| Education   | 21,436,286           | -                                     | 3,795,474                         | 25,231,760                     |
| Health and Human Services                               | 875,101              | 1,832,403                             | 165,747                           | 2,873,251                      |
| Culture and Recreation                                  | 852,467              | -                                     | 413,212                           | 1,265,679                      |
| Employee Benefits and Insurance                         | 14,278,754           | -                                     | 238,138                           | 14,516,892                     |
| State Assessments                                       | 2,454,713            | -                                     | -                                 | 2,454,713                      |
| Debt Service:   |                      |                                       |                                   |                                |
| Principal   | 1,625,000            | -                                     | -                                 | 1,625,000                      |
| Interest  | 810,104              | -                                     | -                                 | 810,104                        |
| <b>Total Expenditures</b>                               | <b>49,167,284</b>    | <b>1,832,403</b>                      | <b>6,360,649</b>                  | <b>57,360,336</b>              |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>1,215,690</b>     | <b>(1,832,403)</b>                    | <b>(1,090,289)</b>                | <b>(1,707,002)</b>             |
| <b>Other Financing Sources (Uses):</b>                  |                      |                                       |                                   |                                |
| Operating Transfers In                                  | 1,784,558            | 900,000                               | 225,302                           | 2,909,860                      |
| Operating Transfers Out                                 | (1,500,964)          | -                                     | (253,583)                         | (1,754,547)                    |
| Proceeds from Bonds and Notes                           | -                    | -                                     | 75,000                            | 75,000                         |
| <b>Total Other Financing Sources (Uses)</b>             | <b>283,594</b>       | <b>900,000</b>                        | <b>46,719</b>                     | <b>1,230,313</b>               |
| <b>Net Change in Fund Balances</b>                      | <b>1,499,284</b>     | <b>(932,403)</b>                      | <b>(1,043,570)</b>                | <b>(476,689)</b>               |
| <b>Fund Balances, Beginning of Year</b>                 | <b>10,045,045</b>    | <b>(262,284)</b>                      | <b>5,597,366</b>                  | <b>15,380,127</b>              |
| <b>Fund Balances, End of Year</b>                       | <b>\$ 11,544,329</b> | <b>\$ (1,194,687)</b>                 | <b>\$ 4,553,796</b>               | <b>\$ 14,903,438</b>           |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2020**

|  |    |              |                    |
|--|----|--------------|--------------------|
| <b>Total Governmental Fund Balances</b>  |    | \$           | 14,903,438         |
| Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.  |    |              | 65,325,330         |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.   |    |              | 2,049,445          |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred. |    |              | 495,651            |
| Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:   |    |              |                    |
| Bonds Payable  | \$ | (20,765,000) |                    |
| Deferred Loss on Refunding   |    | 12,334       |                    |
| Net Other Post Employment Benefits Liability   |    | (42,180,936) |                    |
| Net Pension Liability  |    | (20,613,315) |                    |
| Compensated Absences   |    | (501,700)    | (84,048,617)       |
|  |    |              |                    |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds, interest is not reported until due.  |    |              | (155,947)          |
| <b>Net Position of Governmental Activities</b>   |    | <b>\$</b>    | <b>(1,430,700)</b> |
|  |    |              |                    |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2020**

**Net Change in Fund Balances - Total Governmental Funds** \$ (476,689)

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

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital Outlay Purchases | \$ 3,094,745       |           |
| Depreciation             | <u>(3,705,144)</u> | (610,399) |

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 584,018

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:

|                                       |                 |           |
|---------------------------------------|-----------------|-----------|
| Repayment of Debt Principal           | 1,625,000       |           |
| Amortization of Net Loss on Refunding | (12,333)        |           |
| Proceeds From Bonds and Notes         | <u>(75,000)</u> | 1,537,667 |

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:

|  |                 |                    |
|--|-----------------|--------------------|
| Net Change in Compensated Absences                                       | 141,836         |                    |
| Net Change in Net Other Post Employment Benefits Liability               | (1,277,033)     |                    |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB     | (338,956)       |                    |
| Net Change in Net Pension Liability                                      | 965,232         |                    |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions | (1,286,610)     |                    |
| Net Change in Accrued Interest on Long-Term Debt                         | <u>(36,630)</u> | <u>(1,832,161)</u> |

**Change in Net Position of Governmental Activities** \$ (797,564)

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -  
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Budgeted Amounts           |                    |                 | Actual<br>Budgetary<br>Basis | Amounts<br>Carried<br>Forward to<br>Next Year | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------------|--------------------|-----------------|------------------------------|---|---|
|   | Amounts<br>Carried         |                    | Final<br>Budget |                              |   |   |
|   | Forward from<br>Prior Year | Original<br>Budget |                 |                              |   |   |
| <b>Revenues:</b>  |                            |                    |                 |                              |   |   |
| Property Taxes  | \$ -                       | \$ 28,813,706      | \$ 28,931,582   | \$ 28,998,091                | \$ -  | \$ 66,509   |
| Intergovernmental                                       | -                          | 11,705,927         | 11,705,927      | 11,952,676                   | -   | 246,749   |
| Excise and Other Taxes                                  | -                          | 1,854,223          | 1,854,223       | 2,449,833                    | -   | 595,610   |
| Licenses, Permits, Fees                                 | -                          | 494,897            | 494,897         | 717,276                      | -   | 222,379   |
| Interest on Taxes                                       | -                          | 100,000            | 100,000         | 158,489                      | -   | 58,489  |
| Investment Income                                       | -                          | 50,000             | 50,000          | 197,449                      | -   | 147,449   |
| <b>Total Revenues</b>                                   | -                          | 43,018,753         | 43,136,629      | 44,473,814                   | -   | 1,337,185   |
| <b>Expenditures:</b>                                    |                            |                    |                 |                              |   |   |
| Current:  |                            |                    |                 |                              |   |   |
| General Government                                      | 284,457                    | 2,406,482          | 2,763,496       | 2,338,963                    | 167,994                                       | 256,539   |
| Public Safety   | 106,770                    | 2,999,979          | 3,107,933       | 2,986,062                    | 10,704  | 111,167   |
| Public Works  | 250,271                    | 1,647,735          | 2,019,624       | 1,509,834                    | 341,870                                       | 167,920   |
| Education   | 140,651                    | 21,526,460         | 21,733,550      | 21,436,286                   | 248,443                                       | 48,821  |
| Health and Human Services                               | 8,242                      | 1,039,063          | 1,063,742       | 875,101                      | 8,307   | 180,334   |
| Culture and Recreation                                  | 163,748                    | 885,120            | 1,050,233       | 852,467                      | 122,688                                       | 75,078  |
| Employee Benefits and Insurance                         | 77,739                     | 8,796,103          | 8,811,118       | 8,537,727                    | 97,104  | 176,287   |
| State Assessments                                       | -                          | 2,496,080          | 2,496,080       | 2,454,713                    | -   | 41,367  |
| Debt Service:   |                            |                    |                 |                              |   |   |
| Principal   | -                          | 1,625,000          | 1,625,000       | 1,625,000                    | -   | -   |
| Interest  | -                          | 808,633            | 808,633         | 810,104                      | -   | (1,471)   |
| <b>Total Expenditures</b>                               | 1,031,878                  | 44,230,655         | 45,479,409      | 43,426,257                   | 997,110                                       | 1,056,042   |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | (1,031,878)                | (1,211,902)        | (2,342,780)     | 1,047,557                    | (997,110)                                     | 2,393,227   |
| <b>Other Financing Sources (Uses):</b>                  |                            |                    |                 |                              |   |   |
| Operating Transfers In                                  | -                          | 1,771,807          | 1,799,807       | 1,784,558                    | -   | (15,249)  |
| Operating Transfers Out                                 | -                          | (900,663)          | (900,663)       | (900,964)                    | -   | (301)   |
| <b>Total Other Financing Sources (Uses)</b>             | -                          | 871,144            | 899,144         | 883,594                      | -   | (15,550)  |
| <b>Net Change in Budgetary Fund Balance</b>             | (1,031,878)                | (340,758)          | (1,443,636)     | \$ 1,931,151                 | \$ (997,110)                                  | \$ 2,377,677  |
| <b>Other Budgetary Items:</b>                           |                            |                    |                 |                              |   |   |
| Free Cash and Other Reserves                            | -                          | 340,758            | 411,758         |                              |   |   |
| Prior Year Encumbrances                                 | 1,031,878                  | -                  | 1,031,878       |                              |   |   |
| <b>Total Other Budgetary Items</b>                      | 1,031,878                  | 340,758            | 1,443,636       |                              |   |   |
| <b>NET BUDGET</b>                                       | \$ -                       | \$ -               | \$ -            |                              |   |   |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2020**

|   | <b>Revenues</b> | <b>Expenditures</b> |
|---|-----------------|---------------------|
| <b>Reported on a Budgetary Basis</b>  | \$ 44,473,814   | \$ 43,426,257       |
| <i>Adjustments:</i>   |                 |                     |
| Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes | 79,133          | -                   |
| Recognition of Intergovernmental Revenue - "on behalf payments"                 | 5,741,027       | -                   |
| Recognition of Expenditures - "on behalf payments"                              | -               | 5,741,027           |
| Net Increase in Revenue from Recording 60-Day Receipts                          | 89,000          | -                   |
| <b>Reported on a GAAP Basis</b>   | \$ 50,382,974   | \$ 49,167,284       |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

|   | Business-Type Activities<br>Enterprise Funds |                  |                                  |  | Total               |
|---|--|------------------|----------------------------------|--|---------------------|
|   | Sewer<br>Fund                                | Landfill<br>Fund | Municipal<br>Golf Course<br>Fund | Electric<br>Light Fund<br>(as of December<br>31, 2019) |                     |
| <b>ASSETS</b>                                     |  |                  |                                  |  |                     |
| <b>CURRENT:</b>                                   |  |                  |                                  |  |                     |
| Cash and Cash Equivalents                         | \$ 312,921                                   | \$ 11,561        | \$ -                             | \$ 4,076,344   | \$ 4,400,826        |
| Investments                                       | 2,032,965                                    | 5,105,459        | -                                | -  | 7,138,424           |
| MLDM Reserve Trust                                | -  | -                | -                                | 8,874,160  | 8,874,160           |
| User Charges, net of allowance for uncollectibles | 198,737                                      | 28,566           | 4,057                            | 319,973  | 551,333             |
| Inventory   | -  | -                | -                                | 925,111  | 925,111             |
| Prepaid Expenses                                  | -  | -                | -                                | 1,010,093  | 1,010,093           |
| Restricted:                                       |  |                  |                                  |  |                     |
| Customers' Deposits                               | -  | -                | -                                | 461,359  | 461,359             |
| Depreciation Fund                                 | -  | -                | -                                | 5,950,160  | 5,950,160           |
| Purchases Power Advances                          | -  | -                | -                                | 1,080,787  | 1,080,787           |
| Total current assets                              | <u>2,544,623</u>                             | <u>5,145,586</u> | <u>4,057</u>                     | <u>22,697,987</u>                                      | <u>30,392,253</u>   |
| <b>NONCURRENT:</b>                                |  |                  |                                  |  |                     |
| Preliminary Survey and Investigation Charges      | -  | -                | -                                | 489,286  | 489,286             |
| Capital Assets, net of accumulated depreciation:  |  |                  |                                  |  |                     |
| Nondepreciable                                    | 170,170                                      | 193,138          | 715,000                          | 373,616  | 1,451,924           |
| Depreciable                                       | 7,870,989                                    | 205,524          | 2,833,189                        | 5,397,990  | 16,307,692          |
| Total noncurrent assets                           | <u>8,041,159</u>                             | <u>398,662</u>   | <u>3,548,189</u>                 | <u>6,260,892</u>                                       | <u>18,248,902</u>   |
| <b>Total Assets</b>                               | <u>10,585,782</u>                            | <u>5,544,248</u> | <u>3,552,246</u>                 | <u>28,958,879</u>                                      | <u>48,641,155</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |  |                  |                                  |  |                     |
| Deferred Loss on Refunding                        | -  | -                | 70,435                           | -  | 70,435              |
| Deferred Outflows Related to Pensions             | 180,078                                      | 40,524           | 3,047                            | 1,216,676  | 1,440,325           |
| Deferred Outflows Related to OPEB                 | 55,212                                       | 50,984           | -                                | 278,903  | 385,099             |
| <b>Total Deferred Outflows of Resources</b>       | <u>\$ 235,290</u>                            | <u>\$ 91,508</u> | <u>\$ 73,482</u>                 | <u>\$ 1,495,579</u>                                    | <u>\$ 1,895,859</u> |

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

(Continued)

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

|  | Business-Type Activities<br>Enterprise Funds |                  |                                  |  |               |
|--|--|------------------|----------------------------------|--|---------------|
|  | Sewer<br>Fund                                | Landfill<br>Fund | Municipal<br>Golf Course<br>Fund | Electric<br>Light Fund<br>(as of December<br>31, 2019) | Total         |
| <b>LIABILITIES</b>                         |  |                  |                                  |  |               |
| <b>CURRENT:</b>                            |  |                  |                                  |  |               |
| Accounts Payable                           | \$ 140,623                                   | \$ 61,263        | \$ 32,389                        | \$ 1,459,653   | \$ 1,693,928  |
| Accrued Payroll                            | 9,709  | 1,974            | -                                | -  | 11,683        |
| Due to Other Funds                         | -  | -                | 100,287                          | -  | 100,287       |
| Accrued Interest                           | 19,966                                       | -                | 33,948                           | -  | 53,914        |
| Deposits                                   | -  | 100              | -                                | 461,359  | 461,459       |
| Compensated Absences                       | 7,211  | -                | -                                | 133,003  | 140,214       |
| Bonds Payable                              | 328,984                                      | -                | 285,000                          | -  | 613,984       |
| Total current liabilities                  | 506,493                                      | 63,337           | 451,624                          | 2,054,015  | 3,075,469     |
| <b>NONCURRENT:</b>                         |  |                  |                                  |  |               |
| Compensated Absences                       | -  | -                | -                                | 97,042   | 97,042        |
| Other                                      | -  | -                | -                                | 150,000  | 150,000       |
| Net OPEB Liability                         | 737,006                                      | 680,559          | -                                | 682,671  | 2,100,236     |
| Net Pension Liability                      | 816,194                                      | 183,674          | 13,809                           | 4,490,427  | 5,504,104     |
| Bonds Payable                              | 2,036,898                                    | -                | 2,420,000                        | -  | 4,456,898     |
| Total noncurrent liabilities               | 3,590,098                                    | 864,233          | 2,433,809                        | 5,420,140  | 12,308,280    |
| <b>Total Liabilities</b>                   | 4,096,591                                    | 927,570          | 2,885,433                        | 7,474,155  | 15,383,749    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |  |                  |                                  |  |               |
| Deferred Inflows Related to Pensions       | 221,655                                      | 49,880           | 3,750                            | 160,806  | 436,091       |
| Deferred Inflows Related to OPEB           | 28,205                                       | 26,045           | -                                | 134,443  | 188,693       |
| Rate Stabilization Reserve                 | -  | -                | -                                | 150,990  | 150,990       |
| <b>Total Deferred Inflows of Resources</b> | 249,860                                      | 75,925           | 3,750                            | 446,239  | 775,774       |
| <b>NET POSITION</b>                        |  |                  |                                  |  |               |
| Net Investment in Capital Assets           | 5,675,277                                    | 398,662          | 913,624                          | 5,771,606  | 12,759,169    |
| Restricted for Capital                     | 396,075                                      | 11,561           | -                                | -  | 407,636       |
| Restricted for Other Purposes              | -  | 5,062,577        | -                                | 6,154,028  | 11,216,605    |
| Unrestricted                               | 403,269                                      | (840,539)        | (177,079)                        | 10,608,430   | 9,994,081     |
| <b>Total Net Position</b>                  | \$ 6,474,621                                 | \$ 4,632,261     | \$ 736,545                       | \$ 22,534,064  | \$ 34,377,491 |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | Business-Type Activities<br>Enterprise Funds |                     |                                  |  | Total                |
|---|--|---------------------|----------------------------------|--|----------------------|
|   | Sewer<br>Fund                                | Landfill<br>Fund    | Municipal<br>Golf Course<br>Fund | Electric<br>Light Fund<br>(as of December<br>31, 2019) |                      |
| <b>Operating Revenues:</b>                      |  |                     |                                  |  |                      |
| Charges for Services                            | \$ 2,455,450                                 | \$ 1,167,472        | \$ 973,294                       | \$ 13,527,705  | \$ 18,123,921        |
| Other   | 4,277  | -                   | -                                | 334,635  | 338,912              |
| <b>Total Operating Revenues</b>                 | <b>2,459,727</b>                             | <b>1,167,472</b>    | <b>973,294</b>                   | <b>13,862,340</b>                                      | <b>18,462,833</b>    |
| <b>Operating Expenses:</b>                      |  |                     |                                  |  |                      |
| Salaries & Wages                                | 442,024                                      | 95,397              | -                                | -  | 537,421              |
| Operating Expenses                              | 651,129                                      | 1,270,567           | 990,519                          | 13,512,068   | 16,424,283           |
| Depreciation                                    | 590,021                                      | 88,270              | 184,057                          | 1,069,828  | 1,932,176            |
| <b>Total Operating Expenses</b>                 | <b>1,683,174</b>                             | <b>1,454,234</b>    | <b>1,174,576</b>                 | <b>14,581,896</b>                                      | <b>18,893,880</b>    |
| <b>Operating Income (Loss)</b>                  | <b>776,553</b>                               | <b>(286,762)</b>    | <b>(201,282)</b>                 | <b>(719,556)</b>                                       | <b>(431,047)</b>     |
| <b>Non-Operating Revenues (Expenses):</b>       |  |                     |                                  |  |                      |
| Investment Income                               | 35,793                                       | 6,725               | -                                | 640,531  | 683,049              |
| Capital Contributions                           | -  | -                   | -                                | 45,282   | 45,282               |
| Gain/(Loss) on Disposal of Capital Assets       | -  | -                   | -                                | 169,259  | 169,259              |
| Other   | -  | -                   | -                                | (5,000)  | (5,000)              |
| Intergovernmental                               | 1,917  | -                   | -                                | -  | 1,917                |
| Interest Expense                                | (50,399)                                     | -                   | (98,721)                         | -  | (149,120)            |
| <b>Total Non-Operating Revenues (Expenses)</b>  | <b>(12,689)</b>                              | <b>6,725</b>        | <b>(98,721)</b>                  | <b>850,072</b>   | <b>745,387</b>       |
| <b>Income (Loss) Before Operating Transfers</b> | <b>763,864</b>                               | <b>(280,037)</b>    | <b>(300,003)</b>                 | <b>130,516</b>   | <b>314,340</b>       |
| <b>Operating Transfers:</b>                     |  |                     |                                  |  |                      |
| Transfer In                                     | -  | -                   | 370,032                          | -  | 370,032              |
| Transfers (Out)                                 | (419,597)                                    | (136,473)           | (29,275)                         | (177,500)  | (762,845)            |
| <b>Total Operating Transfers</b>                | <b>(419,597)</b>                             | <b>(136,473)</b>    | <b>340,757</b>                   | <b>(177,500)</b>                                       | <b>(392,813)</b>     |
| <b>Change in Net Position</b>                   | <b>344,267</b>                               | <b>(416,510)</b>    | <b>40,754</b>                    | <b>(46,984)</b>  | <b>(78,473)</b>      |
| <b>Net Position at Beginning of Year</b>        | <b>6,130,354</b>                             | <b>5,048,771</b>    | <b>695,791</b>                   | <b>22,581,048</b>                                      | <b>34,455,964</b>    |
| <b>Net Position at End of Year</b>              | <b>\$ 6,474,621</b>                          | <b>\$ 4,632,261</b> | <b>\$ 736,545</b>                | <b>\$ 22,534,064</b>                                   | <b>\$ 34,377,491</b> |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Business-Type Activities<br>Enterprise Funds |                  |                                  |  | Total               |
|---|--|------------------|----------------------------------|--|---------------------|
|   | Sewer<br>Fund                                | Landfill<br>Fund | Municipal<br>Golf Course<br>Fund | Electric<br>Light Fund<br>(as of December<br>31, 2019) |                     |
| <b>Cash Flows From Operating Activities:</b>  |  |                  |                                  |  |                     |
| Receipts from Customers and Users   | \$ 2,424,728                                 | \$ 1,153,232     | \$ 977,058                       | \$ 13,980,731  | \$ 18,535,749       |
| Receipts from Other Revenues  | 4,277  | -                | -                                | -  | 4,277               |
| Payments for Operations   | -  | -                | -                                | (12,005,639)   | (12,005,639)        |
| Payments to Vendors   | (832,076)                                    | (1,262,565)      | (1,133,094)                      | -  | (3,227,735)         |
| Payments to Employees   | (435,598)                                    | (95,282)         | -                                | (1,627,682)  | (2,158,562)         |
| <b>Net Cash Provided by (Used for)<br/>Operating Activities</b>                     | <b>1,161,331</b>                             | <b>(204,615)</b> | <b>(156,036)</b>                 | <b>347,410</b>   | <b>1,148,090</b>    |
| <b>Cash Flows from Noncapital Financing Activities:</b>                             |  |                  |                                  |  |                     |
| Transfers from (to) Other Funds   | (419,597)                                    | (136,473)        | 441,044                          | (177,500)  | (292,526)           |
| Other   | -  | -                | -                                | (5,000)  | (5,000)             |
| <b>Net Cash Provided by (Used for)<br/>Noncapital Financing Activities</b>          | <b>(419,597)</b>                             | <b>(136,473)</b> | <b>441,044</b>                   | <b>(182,500)</b>                                       | <b>(297,526)</b>    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                    |  |                  |                                  |  |                     |
| Intergovernmental   | 22,915                                       | -                | -                                | -  | 22,915              |
| Acquisition and Construction of Capital Assets                                      | (427,159)                                    | -                | -                                | (2,720,473)  | (3,147,632)         |
| Capital Contributions   | -  | -                | -                                | 45,282   | 45,282              |
| Proceeds from Disposition of Capital Assets   | -  | -                | -                                | 195,226  | 195,226             |
| Principal Payments on Bonds   | (392,785)                                    | -                | (280,000)                        | -  | (672,785)           |
| Interest Expense  | (53,216)                                     | -                | (95,662)                         | -  | (148,878)           |
| <b>Net Cash Provided by (Used for)<br/>Capital and Related Financing Activities</b> | <b>(850,245)</b>                             | <b>-</b>         | <b>(375,662)</b>                 | <b>(2,479,965)</b>                                     | <b>(3,705,872)</b>  |
| <b>Cash Flows from Investing Activities:</b>  |  |                  |                                  |  |                     |
| Investment Income   | 35,793                                       | 6,725            | -                                | 640,531  | 683,049             |
| Sale/(Purchase) of Investments  | 135,974                                      | 334,363          | -                                | 2,883,028  | 3,353,365           |
| <b>Net Cash Provided by (Used for)<br/>Investing Activities</b>                     | <b>171,767</b>                               | <b>341,088</b>   | <b>-</b>                         | <b>3,523,559</b>                                       | <b>4,036,414</b>    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                         | <b>63,256</b>                                | <b>-</b>         | <b>(90,654)</b>                  | <b>1,208,504</b>                                       | <b>1,181,106</b>    |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                               | <b>249,665</b>                               | <b>11,561</b>    | <b>90,654</b>                    | <b>3,829,880</b>                                       | <b>4,181,760</b>    |
| <b>Cash and Cash Equivalents at End of Year</b>                                     | <b>\$ 312,921</b>                            | <b>\$ 11,561</b> | <b>\$ -</b>                      | <b>\$ 5,038,384</b>                                    | <b>\$ 5,362,866</b> |

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

(Continued)

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | Business-Type Activities<br>Enterprise Funds |                     |                                  |                              | Total               |
|--|--|---------------------|----------------------------------|------------------------------|---------------------|
|  | Sewer<br>Fund                                | Landfill<br>Fund    | Municipal<br>Golf Course<br>Fund | Electric<br>Light Fund       |                     |
|  |  |                     |                                  | (as of December<br>31, 2019) |                     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>            |  |                     |                                  |                              |                     |
| <b>Operating Income (Loss)</b>   | \$ 776,553                                   | \$ (286,762)        | \$ (201,282)                     | \$ (719,556)                 | \$ (431,047)        |
| <b>Adjustments to reconcile operating income (loss)<br/>to net cash provided by (used for) operating activities:</b> |  |                     |                                  |                              |                     |
| Depreciation   | 590,021                                      | 88,270              | 184,057                          | 1,069,828                    | 1,932,176           |
| Deferred (Outflows)/Inflows of Resources Related to Pensions and OPEB  | 64,787                                       | 13,853              | 2,346                            | (553,350)                    | (472,364)           |
| Deferred (Outflows)/Inflows of Resources Related to Rate Stabilization   | -  | -                   | -                                | 150,990                      | 150,990             |
| Change in Assets and Liabilities:  |  |                     |                                  |                              |                     |
| Increase (Decrease) in Accounts Payable  | 20,008                                       | (73,510)            | (8,893)                          | 370,470                      | 308,075             |
| Increase (Decrease) in Accrued Liabilities   | -  | -                   | -                                | 8,914                        | 8,914               |
| Increase (Decrease) in Accrued Payroll   | 1,174  | 115                 | -                                | -                            | 1,289               |
| Increase (Decrease) in Compensated Absences  | 5,252  | -                   | -                                | 13,239                       | 18,491              |
| Increase (Decrease) in Net OPEB Liability  | (125,269)                                    | 90,980              | -                                | 171,866                      | 137,577             |
| Increase (Decrease) in Other Noncurrent Liabilities  | -  | -                   | -                                | (150,000)                    | (150,000)           |
| Increase (Decrease) in Net Pension Liability   | (140,473)                                    | (23,321)            | (136,028)                        | 748,633                      | 448,811             |
| Increase (Decrease) in Deposits  | -  | -                   | -                                | 30,359                       | 30,359              |
| Decrease (Increase) in Preliminary Survey and Investigation Charges  | -  | -                   | -                                | 137,765                      | 137,765             |
| Decrease (Increase) in Prepaid Expenses  | -  | -                   | -                                | (551,219)                    | (551,219)           |
| Decrease (Increase) in Inventory   | -  | -                   | -                                | (501,705)                    | (501,705)           |
| Decrease (Increase) in Purchased Power Advances  | -  | -                   | -                                | 2,785                        | 2,785               |
| Decrease (Increase) in User Charges Receivable   | (30,722)                                     | (14,240)            | 3,764                            | 118,391                      | 77,193              |
| <b>Total Adjustments</b>   | <b>384,778</b>                               | <b>82,147</b>       | <b>45,246</b>                    | <b>1,066,966</b>             | <b>1,579,137</b>    |
| <b>Net Cash Provided by (Used for) Operating Activities</b>  | <b>\$ 1,161,331</b>                          | <b>\$ (204,615)</b> | <b>\$ (156,036)</b>              | <b>\$ 347,410</b>            | <b>\$ 1,148,090</b> |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

|                                  | <b>Other<br/>Post Employment<br/>Benefits<br/>Trust Fund</b> | <b>Other<br/>Post Employment<br/>Benefits Trust<br/>Fund (SHELD)<br/>(as of December<br/>31, 2019)</b> | <b>Private<br/>Purpose<br/>Trust Funds</b> | <b>Agency<br/>Funds</b> |
|----------------------------------|--|--|--|-------------------------|
| <b>ASSETS</b>                    |  |  |  |                         |
| Cash and Cash Equivalents        | \$ -   | \$ -   | \$ (31,490)                                | \$ 413,648              |
| Investments                      | 1,450,008  | 876,919  | 219,951                                    | 182,886                 |
| <b>Total Assets</b>              | <b>1,450,008</b>   | <b>876,919</b>   | <b>188,461</b>                             | <b>596,534</b>          |
| <b>LIABILITIES</b>               |  |  |  |                         |
| Warrants Payable                 | -  | -  | -  | 15,327                  |
| Due to Others                    | -  | -  | -  | 110,816                 |
| Due to Student Groups            | -  | -  | -  | 60,443                  |
| Escrows and Deposits             | -  | -  | -  | 409,948                 |
| <b>Total Liabilities</b>         | <b>-</b>   | <b>-</b>   | <b>-</b>                                   | <b>596,534</b>          |
| <b>NET POSITION</b>              |  |  |  |                         |
| Held in Trust for Other Purposes | \$ 1,450,008   | \$ 876,919   | \$ 188,461                                 | \$ -                    |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | <b>Other<br/>Post Employment<br/>Benefits<br/>Trust Fund</b> | <b>Other<br/>Post Employment<br/>Benefits Trust<br/>Fund (SHELD)<br/>(as of December<br/>31, 2019)</b> | <b>Private<br/>Purpose<br/>Trust Funds</b> |
|--|--|--|--|
| <b>Additions</b>                         |  |  |  |
| Contributions:                           |  |  |  |
| Employer                                 | \$ 2,068,156   | \$ 52,567  | \$ -                                       |
| Donations                                | -  | -  | 2,034                                      |
| Total Contributions                      | <u>2,068,156</u>   | <u>52,567</u>  | <u>2,034</u>                               |
| Investment Income                        | 31,968   | 143,406  | 4,326                                      |
| <b>Total Additions</b>                   | <u>2,100,124</u>   | <u>195,973</u>   | <u>6,360</u>                               |
| <b>Deductions:</b>                       |  |  |  |
| Educational Scholarships                 | -  | -  | 5,650                                      |
| Employee Benefits and Insurance          | 1,918,156  | 52,567   | -  |
| <b>Total Deductions</b>                  | <u>1,918,156</u>   | <u>52,567</u>  | <u>5,650</u>                               |
| <b>Change in Net Position</b>            | <u>181,968</u>   | <u>143,406</u>   | <u>710</u>                                 |
| <b>Net Position at Beginning of Year</b> | <u>1,268,040</u>   | <u>733,513</u>   | <u>187,751</u>                             |
| <b>Net Position at End of Year</b>       | <u>\$ 1,450,008</u>  | <u>\$ 876,919</u>  | <u>\$ 188,461</u>                          |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town was incorporated in 1753 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the proprietary funds.

***The South Hadley Electric Light Department (SHELD)*** - The condensed financial statements of the South Hadley Electric Light Department (SHELD) (Electric Light Department) are included in the Proprietary Fund Types column and Business-Type Activity column of the basic financial statements. The complete financial statements can be obtained from the Financial Manager, South Hadley Electric Light Department, 85 Main Street, South Hadley, Massachusetts 01075.

The Town is responsible for electing the governing board of the South Hadley Housing Authority. The Town is also responsible for the collection of taxes of the South Hadley Fire Districts Nos. 1 and 2. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members or handling the tax collections of the districts. Audited financial statements are available from the respective organizations. A description of the related organizations follows:

**South Hadley Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

**South Hadley Fire District Nos. 1 and 2** - Fire and water districts that provide water and fire services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

**Government-Wide Financial Statements**

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

**Major Fund Criteria**

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

*and*

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

**Government-Wide Financial Statements**

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

**Fund Financial Statements**

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

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

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

The *senior center construction fund* is used to account for the accumulation of resources to build of a new facility.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *landfill fund* is used to account for the landfill activities.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

The *municipal golf course fund* is used to account for activities of a municipal golf course.

The *electric light fund* is a blended component unit used to account for activities of the government's electric distribution operations.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds'* column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

*Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Post Employment Benefit (OPEB) trust funds* are used to account for the assets held by the Town and the Electric Light Department (as of December 31, 2019) in trust for the payment of future retiree health insurance benefits. The assets of the OPEB trust funds cannot be used to support the Town's or Electric Light Department's operations.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

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

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

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

Level 3 inputs are unobservable for the asset or liability.

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

Additional investment disclosures are presented in these Notes.

**F. Receivables**

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**Property Taxes and Tax Liens**

Property taxes are based on assessments as of January 1, 2019 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2020 on July 1, 2019 and September 30, 2019 that were due on August 1, 2019 and November 1, 2019. The actual tax bills were mailed on December 30, 2019 and March 30, 2020 and were due on February 3, 2020 and May 1, 2020, respectively.

The Commonwealth of Massachusetts electorate in November 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2020 is as follows:

|  |    |            |
|--|----|------------|
| Legal Levy Limit Under Proposition<br>2 1/2 for fiscal year 2020 | \$ | 27,987,337 |
| Add: Debt Exclusion  |    | 1,193,758  |
| Maximum Allowable Levy   | \$ | 29,181,095 |

The total amount raised by taxation was \$29,172,330.

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

**Excise Taxes**

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the Town, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by \$25 per \$1,000 of value or \$10 per \$1,000 of valuation, respectively.

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

**User Charges**

User charges and fees consist of landfill, municipal golf course, sewer and electric light and are levied monthly based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Landfill and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Landfill, sewer charges, and liens are recorded as receivables in the fiscal year of the levy.

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

**Departmental**

Departmental receivables consist of parking, highway, police-off duty details and others.

The allowance for uncollectibles relates to ambulance, parking and highway are based upon historical trends. The other departmental receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Due from Other Governments**

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

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

**G. Capital Assets**

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

| <b>Capital Asset Type</b>      | <b>Years</b> |
|--------------------------------|--------------|
| Buildings and renovations      | 20-40        |
| Machinery, equipment and other | 3-10         |
| Infrastructure                 | 20-50        |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Depreciation for the Electric Light Department is computed using the straight-line method at composite rates as prescribed by the Massachusetts Department of Public Utilities (DPU). Depreciation was calculated using a composite rate of 3% in 2019.

**H. Inventories**

Inventories in the electric light business-type activities, which consists of poles and fixtures, conductors and devices, underground conduits, transformers, meters and street lights, is valued at the lower of cost or market using the first-in, first out flow assumption.

**I. Restricted Cash and Cash Equivalents**

Certain assets of the Electric Light Department are classified as restricted because their use is limited.

- *Depreciation fund.* This fund is restricted to specific uses by the General Laws of Massachusetts. Pursuant to provisions of the Commonwealth’s General Laws, cash in an amount equivalent to the annual depreciation expense is to be transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of utility plant, nuclear decommissioning costs, costs of contractual commitments, and deferred costs related to such commitments.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

- *Customers' deposits.* The Department requires security deposits from certain residential and commercial customers. These deposits, including accrued interest, are held in escrow and reflected as a liability in the financial statements.
  
- *Purchase Power Advances.* Under the terms of the Department's member agreement with the Massachusetts Municipal Wholesale Electric Company (MMWEC), the Department is required to prepay various operating expenses and provide for certain working capital requirements for various projects that are operational. The Department charges items to expense when MMWEC indicates that an expense has been incurred.

**J. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

**K. Deferred Outflows and Inflows of Resources**

**Government-wide financial statements**

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred loss on refunding, deferred outflows related to pensions and deferred outflows related to OPEB*. A deferred loss is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Regarding the deferred outflows related to pensions for future pension revenues; see note 4F for more information. The deferred outflows related to OPEB for future retiree health and life insurance expenses is explained in note 4G. These amounts are deferred and recognized as outflows of resources in the period that the amounts become available.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are *deferred inflows related to pensions, deferred inflows related to OPEB and a rate stabilization reserve*. Regarding the deferred inflows related to pensions for future pension revenues; see note 4F for more information. The deferred inflows related to OPEB for future retiree health and life insurance expenses is explained in note 4G. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available. A rate stabilization reserve was established to mitigate the effects of timing inherent in the operation of rate adjustment charges/credits and their treatment under generally accepted accounting principles. Amounts may be either transferred into this fund (which reduces revenues), or amounts are transferred out of this fund (which increases revenues) on an event driven basis. An amount equal to the rate stabilization reserve is maintained in the Electric Light Department's operation fund cash.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Fund financial statements**

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise taxes; departmental receipts and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**L. Net Position and Fund Balances**

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" - represents amounts restricted by the federal and state government for various programs.

"Permanent funds" – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds" – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

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

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

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

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

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

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

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

**M. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

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

**N. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. Town employees are provided a maximum of 20 days of accumulated sick leave. To be eligible, the individual must have accumulated a minimum of 150 days of sick leave and have twenty or more years of continuous service to the Town.

**O. Other Noncurrent Liabilities**

Other noncurrent liabilities consist of claims and other miscellaneous liabilities payable in greater than one year.

**P. Pension Benefits**

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Hampshire County Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Q. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 55%, 65%, 70% and 74% of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

**R. Use of Estimates**

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

**S. Total Column**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

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

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

For fiscal year 2020, the Town incurred a final budget deficit of \$1,443,636 for the General Fund.

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

|                           |                            |
|---------------------------|----------------------------|
| Unassigned fund balance:  |                            |
| Free cash votes           | \$ 411,758                 |
| Prior year's encumbrances | <u>1,031,878</u>           |
|                           | <u><u>\$ 1,443,636</u></u> |

**B. Deficit Fund Balance**

The following funds have deficits at June 30, 2020 as measured by the balance of unreserved fund balance.

- The *Senior Center construction*, a capital project and Major fund has a deficit of \$1,194,687. The Town has temporary bond anticipation notes outstanding of \$2,600,000 for this project. The deficit will be eliminated upon the issuance of permanent debt.
- The *Town Hall elevator rebuild* capital project fund has a deficit of \$24,610. The deficit will be eliminated upon appropriation.
- The *Town Hall masonry construction* capital project fund has a deficit of \$16,045. The Town has a temporary bond anticipation note outstanding of \$285,000 for this project. The deficit will be eliminated upon the issuance of permanent debt.
- The *Highway mini-bucket loader* capital project fund has a deficit of \$183. The deficit will be eliminated upon appropriation.
- The *Highway vehicle and equipment* capital project funds have deficits totaling \$206,752. The Town has temporary bond anticipation notes outstanding of \$240,000 for these projects. The deficits will be eliminated upon the issuance of permanent debt.
- The *Highway Roads and Sidewalk repairs* capital project funds have deficits totaling \$749,483. The Town has temporary bond anticipation notes outstanding of \$955,000 for these projects. The deficits will be eliminated upon the issuance of permanent debt.
- The *Mosier School security improvements* capital project fund has a deficit of \$26,404. The deficit will be eliminated upon appropriation.
- The *Plains School construction* capital project fund has a deficit of \$287,000. The Town has a temporary bond anticipation note outstanding of \$287,000 for this project. The deficit will be eliminated upon the issuance of permanent debt.
- The *Highway grant (Chapter 90)* special revenue fund has a deficit of \$78,338. This deficit will be eliminated upon appropriation.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The government has a deposit policy for custodial credit risk. Deposits at June 30, 2020 were \$19,308,469. Of these, \$1,025,411 are exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

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

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer’s office. According to the State Treasurer, the Trust’s investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2020, the Town had the following investments and maturities:

| Investment Type                     | Fair Value           | Investment Maturities<br>(in Years) |               |            |
|-------------------------------------|----------------------|-------------------------------------|---------------|------------|
|                                     |                      | Less Than 1                         | 1 to 5        | 6 to 10    |
| <b>Debt Securities:</b>             |                      |                                     |               |            |
| U. S. treasury obligations          | \$ 4,256,258         | \$ 1,801,751                        | \$ 2,454,507  | \$ -       |
| U. S. government agencies           | 2,948,082            | -                                   | 2,446,297     | 501,785    |
| Bond mutual funds                   | 407,849              | 407,849                             | -             | -          |
| Corporate bonds                     | 8,009,979            | 1,508,530                           | 6,501,449     | -          |
| Money market mutual fund            | 520,614              | 520,614                             | -             | -          |
|                                     | 16,142,782           | \$ 4,238,744                        | \$ 11,402,253 | \$ 501,785 |
| <b>Other Investments:</b>           |                      |                                     |               |            |
| Certificates of deposit             | 2,093,339            |                                     |               |            |
| Equity securities - domestic stocks | 4,982,483            |                                     |               |            |
|                                     | <u>\$ 23,218,604</u> |                                     |               |            |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Custodial Credit Risks**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$23,218,604 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name.

**Interest Rate Risk**

The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2020 is as follows:

| Related Debt<br>Instruments               | Fair<br>Value |
|---|---------------|
| Moody's Quality Ratings                   |               |
| <b><i>U. S. Treasury Obligations:</i></b> |               |
| Aaa                                       | \$ 4,256,258  |
| <b><i>U. S. Government Agencies:</i></b>  |               |
| Aaa                                       | 2,948,082     |
| <b><i>Bond Mutual Funds:</i></b>          |               |
| Not rated                                 | 407,849       |
| <b><i>Corporate Bonds:</i></b>            |               |
| Aaa                                       | 1,066,999     |
| A1  | 1,712,091     |
| A2  | 1,608,743     |
| A3  | 1,093,943     |
| Baa1                                      | 781,513       |
| Baa2                                      | 1,746,690     |
| <b><i>Money Market Mutual Funds:</i></b>  |               |
| Not rated                                 | 520,614       |
|   | \$ 16,142,782 |

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are in Federal Farm Credit Banks amounting to 7.63% of the Town's total investments.

**Fair Value of Investments**

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

The Town has the following recurring fair value measurements as of June 30, 2020:

| <b>Investment Type</b>           | <b>Fair Value</b>    | <b>Fair Value Measurement</b>   |  |  |
|----------------------------------|----------------------|---|--|--|
|                                  |                      | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| Investments by Fair Value Level: |                      |   |  |  |
| U. S. treasury obligations       | \$ 4,256,258         | \$ 4,256,258  | \$ -   | \$ -   |
| U. S. government agencies        | 2,948,082            | 2,948,082   | -  | -  |
| Certificates of deposit          | 2,093,339            | 2,093,339   | -  | -  |
| Equity securities - domestic     | 4,982,483            | 4,982,483   | -  | -  |
| Money market mutual fund         | 520,614              | 520,614   | -  | -  |
| Bond mutual funds                | 407,849              | -   | 407,849  | -  |
| Corporate bonds                  | 8,009,979            | -   | 8,009,979  | -  |
| <b>Total Investments</b>         | <b>\$ 23,218,604</b> | <b>\$ 14,800,776</b>  | <b>\$ 8,417,828</b>  | <b>\$ -</b>  |

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**B. Receivables**

At June 30, 2020, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|   | <b>Gross<br/>Amount</b> | <b>Allowance<br/>for<br/>Uncollectibles</b> | <b>Net<br/>Amount</b> |
|---|-------------------------|---|-----------------------|
| <b>Major and nonmajor governmental funds:</b> |                         |   |                       |
| Property taxes                                | \$ 657,200              | \$ (75,906)                                 | \$ 581,294            |
| Tax liens                                     | 289,828                 | -   | 289,828               |
| Excise taxes                                  | 437,513                 | (159,770)                                   | 277,743               |
| Departmental                                  | 16,050                  | (15,550)                                    | 500                   |
| Due from other governments                    | 1,686,776               | -   | 1,686,776             |
|   | <b>\$ 3,087,367</b>     | <b>\$ (251,226)</b>                         | <b>\$ 2,836,141</b>   |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

At June 30, 2020, receivables for the business-type activities consist of the following:

|                                    | <b>Gross<br/>Amount</b> | <b>Allowance<br/>for<br/>Uncollectibles</b> | <b>Net<br/>Amount</b> |
|------------------------------------|-------------------------|---|-----------------------|
| <b>Sewer Fund:</b>                 |                         |   |                       |
| User charges                       | \$ 195,259              | \$ (1,500)                                  | \$ 193,759            |
| Tax liens                          | 4,978                   | -   | 4,978                 |
| <b>Landfill Fund:</b>              |                         |   |                       |
| User charges                       | 28,262                  | (500)                                       | 27,762                |
| Tax liens                          | 804                     | -   | 804                   |
| <b>Municipal Golf Course Fund:</b> |                         |   |                       |
| User charges                       | 4,057                   | -   | 4,057                 |
| <b>Electric Light Fund:</b>        |                         |   |                       |
| <b>(As of December 31, 2019)</b>   |                         |   |                       |
| User charges                       | 678,877                 | (358,904)                                   | 319,973               |
|                                    | <b>\$ 912,237</b>       | <b>\$ (360,904)</b>                         | <b>\$ 551,333</b>     |

The composition of amounts due from other governments as of June 30, 2020 for governmental funds is as follows:

|  |    |           |                  |
|--|----|-----------|------------------|
| <b>General Fund:</b>                                     |    |           |                  |
| <b>Commonwealth of Massachusetts:</b>                    |    |           |                  |
| Department of Veterans Services:                         |    |           |                  |
| Veterans benefits  |    | \$        | 174,326          |
| <b>Nonmajor Governmental Funds:</b>                      |    |           |                  |
| <b>U.S. Department of Agriculture:</b>                   |    |           |                  |
| School lunch   | \$ | 6,787     |                  |
| <b>U.S. Department of Education:</b>                     |    |           |                  |
| School title grants                                      |    | 168,008   |                  |
| <b>U.S. Department of Homeland Security:</b>             |    |           |                  |
| Emergency Management Performance Grant                   |    | 4,523     |                  |
| <b>Commonwealth of Massachusetts:</b>                    |    |           |                  |
| Department of Elementary and Secondary Education:        |    |           |                  |
| School lunch   |    | 66        |                  |
| Department of Mental Health:                             |    |           |                  |
| Jail Diversion program                                   |    | 1,140     |                  |
| Department of Public Health:                             |    |           |                  |
| Tobacco Control grant                                    |    | 57,111    |                  |
| Executive Office of Public Safety and Homeland Security: |    |           |                  |
| Public Safety Grants                                     |    | 7,361     |                  |
| Massachusetts Department of Transportation:              |    |           |                  |
| Highway Department - Chapter 90 funded projects          |    | 1,230,112 |                  |
| Highway Department - Complete Streets                    |    | 22,892    |                  |
| <b>Other</b>   |    | 14,450    | 1,512,450        |
|  |    | <b>\$</b> | <b>1,686,776</b> |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**C. Deferred Outflows and Inflows of Resources – Unavailable Revenue**

The government-wide financial statements statement of net position includes a separate section, listed below total assets, for *deferred outflows of resources*. The only items in this category are the governmental type and business-type *deferred loss on refunding, deferred outflows related to pension and deferred outflows related to OPEB*. A deferred loss is the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. The current total balance is \$82,769 (governmental type of \$12,334 and business-type of \$70,435) and is amortized until fiscal year 2029. The governmental and business-type activity outflows as related to pensions and outflows as related to OPEB are explained in notes 4F and 4G.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. The governmental and business-type activities inflows as related to pensions and inflows as related to OPEB are explained in notes 4F and 4G.

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

|                                     |    |              |
|-------------------------------------|----|--------------|
| <b>General Fund:</b>                |    |              |
| Property taxes                      | \$ | 425,294      |
| Tax liens                           |    | 289,828      |
| Excise taxes                        |    | 277,743      |
| Departmental                        |    | 500          |
| Due from other governments          |    | 174,326      |
|                                     |    | \$ 1,167,691 |
| <b>Nonmajor governmental funds:</b> |    |              |
| Due from other governments          |    | 912,465      |
|                                     |    | \$ 2,080,156 |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**D. Capital Assets**

Capital assets for the governmental and business-type activities for the year ended June 30, 2020, are as follows:

| <b>Governmental Activities</b>                    | <b>Beginning<br/>Balance</b> | <b>Increases</b>  | <b>Decreases</b>    | <b>Ending<br/>Balance</b> |
|---|------------------------------|-------------------|---------------------|---------------------------|
| Capital assets not being depreciated:             |                              |                   |                     |                           |
| Land  | \$ 3,714,700                 | \$ -              | \$ -                | \$ 3,714,700              |
| Construction in progress                          | 1,146,326                    | 2,103,052         | (989,882)           | 2,259,496                 |
| Total capital assets not being depreciated        | 4,861,026                    | 2,103,052         | (989,882)           | 5,974,196                 |
| Capital assets being depreciated:                 |                              |                   |                     |                           |
| Buildings and Renovations                         | 84,475,910                   | 256,952           | -                   | 84,732,862                |
| Machinery, equipment and other                    | 4,258,855                    | 349,847           | (169,310)           | 4,439,392                 |
| Infrastructure                                    | 26,903,565                   | 1,374,776         | -                   | 28,278,341                |
| Total capital assets being depreciated            | 115,638,330                  | 1,981,575         | (169,310)           | 117,450,595               |
| Less accumulated depreciation for:                |                              |                   |                     |                           |
| Buildings and Renovations                         | 32,586,950                   | 2,641,980         | -                   | 35,228,930                |
| Machinery, equipment and other                    | 3,691,582                    | 271,758           | (169,310)           | 3,794,030                 |
| Infrastructure                                    | 18,285,095                   | 791,406           | -                   | 19,076,501                |
| Total accumulated depreciation                    | 54,563,627                   | 3,705,144         | (169,310)           | 58,099,461                |
| Total capital assets being depreciated, net       | 61,074,703                   | (1,723,569)       | -                   | 59,351,134                |
| Total governmental activities capital assets, net | <u>\$ 65,935,729</u>         | <u>\$ 379,483</u> | <u>\$ (989,882)</u> | <u>\$ 65,325,330</u>      |

Depreciation expense was charged to functions/programs of the governmental type activities as follows:

| <b>Governmental Activities:</b>                      |                     |
|--|---------------------|
| General government                                   | \$ 53,135           |
| Public safety  | 116,834             |
| Public works   | 940,800             |
| Education  | 2,046,533           |
| Health and human services                            | 73,151              |
| Culture and recreation                               | 474,691             |
| Total depreciation expense - governmental activities | <u>\$ 3,705,144</u> |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Business-type Activities:**

**Sewer Activities**

|  | Beginning<br>Balance | Increases  | Decreases    | Ending<br>Balance |
|--|----------------------|------------|--------------|-------------------|
| Capital assets not being depreciated:              |                      |            |              |                   |
| Land   | \$ 170,170           | \$ -       | \$ -         | \$ 170,170        |
| Construction in Progress                           | 626,931              | 73,426     | (700,357)    | -                 |
| Total capital assets not being depreciated         | 797,101              | 73,426     | (700,357)    | 170,170           |
| Capital assets being depreciated:                  |                      |            |              |                   |
| Machinery, equipment and other                     | 501,716              | 220,733    | -            | 722,449           |
| Infrastructure                                     | 24,935,006           | 833,357    | -            | 25,768,363        |
| Total capital assets being depreciated             | 25,436,722           | 1,054,090  | -            | 26,490,812        |
| Less accumulated depreciation for:                 |                      |            |              |                   |
| Machinery, equipment and other                     | 460,566              | 39,777     | -            | 500,343           |
| Infrastructure                                     | 17,569,236           | 550,244    | -            | 18,119,480        |
| Total accumulated depreciation                     | 18,029,802           | 590,021    | -            | 18,619,823        |
| Total capital assets being depreciated, net        | 7,406,920            | 464,069    | -            | 7,870,989         |
| Total business-type activities capital assets, net | \$ 8,204,021         | \$ 537,495 | \$ (700,357) | \$ 8,041,159      |

**Landfill Activities**

|  | Beginning<br>Balance | Increases   | Decreases | Ending<br>Balance |
|--|----------------------|-------------|-----------|-------------------|
| Capital assets not being depreciated:              |                      |             |           |                   |
| Land   | \$ 193,138           | \$ -        | \$ -      | \$ 193,138        |
| Total capital assets not being depreciated         | 193,138              | -           | -         | 193,138           |
| Capital assets being depreciated:                  |                      |             |           |                   |
| Buildings and Renovations                          | 1,926,367            | -           | -         | 1,926,367         |
| Machinery, equipment and other                     | 72,075               | -           | -         | 72,075            |
| Total capital assets being depreciated             | 1,998,442            | -           | -         | 1,998,442         |
| Less accumulated depreciation for:                 |                      |             |           |                   |
| Buildings and Renovations                          | 1,656,676            | 77,055      | -         | 1,733,731         |
| Machinery, equipment and other                     | 47,972               | 11,215      | -         | 59,187            |
| Total accumulated depreciation                     | 1,704,648            | 88,270      | -         | 1,792,918         |
| Total capital assets being depreciated, net        | 293,794              | (88,270)    | -         | 205,524           |
| Total business-type activities capital assets, net | \$ 486,932           | \$ (88,270) | \$ -      | \$ 398,662        |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

| <b>Municipal Golf Course Activities</b>            | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:              |                              |                  |                  |                           |
| Land   | \$ 715,000                   | \$ -             | \$ -             | \$ 715,000                |
| Total capital assets not being depreciated         | 715,000                      | -                | -                | 715,000                   |
| Capital assets being depreciated:                  |                              |                  |                  |                           |
| Buildings and Renovations                          | 6,905,591                    | -                | -                | 6,905,591                 |
| Total capital assets being depreciated             | 6,905,591                    | -                | -                | 6,905,591                 |
| Less accumulated depreciation for:                 |                              |                  |                  |                           |
| Buildings and Renovations                          | 3,888,345                    | 184,057          | -                | 4,072,402                 |
| Total accumulated depreciation                     | 3,888,345                    | 184,057          | -                | 4,072,402                 |
| Total capital assets being depreciated, net        | 3,017,246                    | (184,057)        | -                | 2,833,189                 |
| Total business-type activities capital assets, net | \$ 3,732,246                 | \$ (184,057)     | \$ -             | \$ 3,548,189              |

| <b>Electric Light Activities<br/>(As of December 31, 2019)</b> | <b>Beginning<br/>Balance</b> | <b>Increases/<br/>Adjustments</b> | <b>Decreases/<br/>Adjustments</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|-----------------------------------|-----------------------------------|---------------------------|
| Capital assets not being depreciated:                          |                              |                                   |                                   |                           |
| Land   | \$ 344,448                   | \$ 55,135                         | \$ (25,967)                       | \$ 373,616                |
| Construction in progress                                       | 54,720                       | -                                 | (54,720)                          | -                         |
| Total capital assets not being depreciated                     | 399,168                      | 55,135                            | (80,687)                          | 373,616                   |
| Capital assets being depreciated:                              |                              |                                   |                                   |                           |
| Distribution plant   | 29,622,417                   | 1,086,628                         | (69,530)                          | 30,639,515                |
| General plant  | 6,038,514                    | 1,633,431                         | -                                 | 7,671,945                 |
| Total capital assets being depreciated                         | 35,660,931                   | 2,720,059                         | (69,530)                          | 38,311,460                |
| Less: accumulated depreciation                                 | 31,913,172                   | 1,069,828                         | (69,530)                          | 32,913,470                |
| Total capital assets being depreciated, net                    | 3,747,759                    | 1,650,231                         | -                                 | 5,397,990                 |
| Total electric light activities capital assets, net            | \$ 4,146,927                 | \$ 1,705,366                      | \$ (80,687)                       | \$ 5,771,606              |

Depreciation expense was charged to functions/programs of the business-type activities as follows:

| <b>Business-Type Activities:</b>                      |                     |
|---|---------------------|
| Sewer fund  | \$ 590,021          |
| Landfill fund   | 88,270              |
| Municipal golf course fund                            | 184,057             |
| Electric light fund                                   | 1,069,828           |
| Total depreciation expense - business-type activities | <u>\$ 1,932,176</u> |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**E. Interfund Receivables, Payables and Transfers**

Interfund receivables and payables between funds at June 30, 2020, relate to temporary short-term cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2020, are summarized below:

| Transfers Out:              | Transfers In:       |                                 |                            |                    | Total               |
|-----------------------------|---------------------|---------------------------------|----------------------------|--------------------|---------------------|
|                             | General fund        | Senior Center Construction fund | Nonmajor Governmental fund | Business-type fund |                     |
| General fund                | \$ -                | \$ 900,000                      | \$ 225,302                 | \$ 375,662         | \$ 1,500,964        |
| Nonmajor governmental funds | 253,583             | -                               | -                          | -                  | 253,583             |
| Business-type fund          | 1,530,975           | -                               | -                          | -                  | 1,530,975           |
| Total transfers out         | <u>\$ 1,784,558</u> | <u>\$ 900,000</u>               | <u>\$ 225,302</u>          | <u>\$ 375,662</u>  | <u>\$ 3,285,522</u> |

The remaining amount shown on the Statement of Activities represents transfers that took place when the year-end conversions occurred from a fiscal year June 30<sup>th</sup> end to a calendar year December 31<sup>st</sup> year end for the electric enterprise funds.

**F. Short-Term Financing**

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

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

| Governmental Activities         |               |                     |                      |                     |                     |                           |
|---------------------------------|---------------|---------------------|----------------------|---------------------|---------------------|---------------------------|
| Purpose                         | Interest Rate | Final Maturity Date | Balance July 1, 2019 | Renewed/ Issued     | Retired/ Redeemed   | Outstanding June 30, 2020 |
| <b>Bond Anticipation Notes:</b> |               |                     |                      |                     |                     |                           |
| Municipal Purpose Note          | 2.40%         | 7/30/2019           | \$ 717,000           | \$ -                | \$ 717,000          | \$ -                      |
| Municipal Purpose Note          | 2.40%         | 7/30/2019           | 700,000              | -                   | 700,000             | -                         |
| Municipal Purpose Note          | 2.00%         | 7/16/2020           | -                    | 2,832,000           | -                   | 2,832,000                 |
| Senior Center project           | 2.40%         | 7/16/2020           | -                    | 2,000,000           | -                   | 2,000,000                 |
| Total Governmental Activities   |               |                     | <u>\$ 1,417,000</u>  | <u>\$ 4,832,000</u> | <u>\$ 1,417,000</u> | <u>\$ 4,832,000</u>       |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**G. Long Term Debt**

**General Obligation Bonds**

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

General obligation bonds currently outstanding of the governmental type fund are as follows:

|   | <b>Interest<br/>Rate</b> | <b>Date<br/>Issued</b> | <b>Final<br/>Maturity<br/>Date</b> | <b>Original<br/>Amount<br/>Issued</b> | <b>Outstanding<br/>June 30, 2020</b> |
|---|--------------------------|------------------------|------------------------------------|---------------------------------------|--------------------------------------|
| <b>Inside Debt:</b>   |                          |                        |                                    |                                       |                                      |
| Municipal Purpose Loan of 2011:<br>Library Land Purchase              | 1.81%                    | 9/15/2011              | 8/1/2021                           | \$ 723,000                            | \$ 140,000                           |
| Municipal Purpose Loan of 2013:<br>School Building Projects           | 2.73%                    | 12/18/2013             | 5/15/2029                          | 3,288,000                             | 1,845,000                            |
| New Public Library  | 3.62%                    | 12/18/2013             | 5/15/2038                          | 3,498,860                             | 2,840,000                            |
| Energy Conservation Loan of 2013:<br>Energy Improvements to Buildings | 4.75%                    | 12/18/2013             | 12/15/2032                         | 1,901,000                             | 1,440,000                            |
| Municipal Purpose Loan of 2014:<br>New Public Library                 | 3.08%                    | 12/16/2014             | 5/15/2039                          | 397,000                               | 340,000                              |
| Highway Equipment   | 1.95%                    | 12/16/2014             | 5/15/2039                          | 243,000                               | 130,000                              |
| Municipal Purpose Loan of 2015:<br>Library construction               | 2.50%                    | 11/10/2015             | 5/15/2035                          | 219,931                               | 175,000                              |
| Municipal Purpose Loan of 2017:<br>Building Renovations               | 2.42%                    | 7/20/2017              | 6/15/2033                          | 1,445,500                             | 1,110,000                            |
| Departmental Equipment  | 2.10%                    | 7/20/2017              | 6/15/2029                          | 639,000                               | 510,000                              |
| Recreational Facilities   | 2.32%                    | 7/20/2017              | 6/15/2031                          | 785,000                               | 665,000                              |
| Sidewalk Repairs  | 2.30%                    | 7/20/2017              | 6/15/2031                          | 475,000                               | 400,000                              |
| Street Construction   | 2.30%                    | 7/20/2017              | 6/15/2031                          | 440,500                               | 370,000                              |
| Total Inside Debt   |                          |                        |                                    |                                       | <u>9,965,000</u>                     |
| <b>Outside Debt:</b>  |                          |                        |                                    |                                       |                                      |
| Municipal Purpose Loan of 2007:<br>School Projects                    | 4.10%                    | 4/11/2007              | 6/15/2021                          | 4,465,000                             | 60,000                               |
| Municipal Purpose Loan of 2013:<br>Plains Elementary School           | 3.63%                    | 12/18/2013             | 5/15/2038                          | 1,075,000                             | 875,000                              |
| Plains Elementary Feasibility Study                                   | 3.58%                    | 12/18/2013             | 5/15/2038                          | 289,000                               | 225,000                              |
| Municipal Purpose Loan of 2014:<br>Plains Elementary School           | 3.08%                    | 12/16/2014             | 5/15/2039                          | 8,600,000                             | 7,345,000                            |
| Municipal Purpose Loan of 2015:<br>Plains Elementary School           | 2.50%                    | 11/10/2015             | 5/15/2035                          | 2,765,000                             | 2,295,000                            |
| Total Outside Debt  |                          |                        |                                    |                                       | <u>10,800,000</u>                    |
| Total governmental type debt  |                          |                        |                                    |                                       | <u>\$ 20,765,000</u>                 |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Future Debt Service**

The annual principal and interest payments to retire all governmental type long term debt outstanding as of June 30, 2020, are as follows:

| Year      | Principal            | Interest            | Total                |
|-----------|----------------------|---------------------|----------------------|
| 2021      | \$ 1,490,000         | \$ 720,692          | \$ 2,210,692         |
| 2022      | 1,325,000            | 668,892             | 1,993,892            |
| 2023      | 1,305,000            | 624,508             | 1,929,508            |
| 2024      | 1,320,000            | 581,446             | 1,901,446            |
| 2025      | 1,195,000            | 528,666             | 1,723,666            |
| 2026-2030 | 6,100,000            | 2,025,870           | 8,125,870            |
| 2031-2035 | 5,160,000            | 1,067,543           | 6,227,543            |
| 2036-2039 | 2,870,000            | 264,450             | 3,134,450            |
|           | <u>\$ 20,765,000</u> | <u>\$ 6,482,067</u> | <u>\$ 27,247,067</u> |

General obligation bonds currently outstanding of the business-type fund are as follows:

|   | Interest<br>Rate | Date<br>Issued | Final<br>Maturity<br>Date | Original<br>Amount<br>Issued | Outstanding<br>June 30, 2020 |
|---|------------------|----------------|---------------------------|------------------------------|------------------------------|
| <b>Inside Debt:</b>                     |                  |                |                           |                              |                              |
| <b>Sewer Fund:</b>                      |                  |                |                           |                              |                              |
| <b>Massachusetts Clean Water Trust:</b> |                  |                |                           |                              |                              |
| Loan Number CW 05-26                    | 2.00%            | 12/14/2006     | 7/15/2026                 | \$ 4,270,311                 | \$ 1,695,082                 |
| Loan Number CW 06-24                    | 2.00%            | 12/18/2007     | 7/15/2027                 | 1,386,301                    | 610,800                      |
| Municipal Purpose Loan of 2011:         |                  |                |                           |                              |                              |
| Sewer Infiltration and Inflow           | 1.82%            | 9/15/2011      | 8/1/2021                  | 300,000                      | 60,000                       |
| Total Inside Debt                       |                  |                |                           |                              | <u>2,365,882</u>             |
| <b>Outside Debt:</b>                    |                  |                |                           |                              |                              |
| <b>Municipal Golf Course Fund:</b>      |                  |                |                           |                              |                              |
| Municipal Purpose Loan of 2011:         |                  |                |                           |                              |                              |
| Municipal Gold Course Clubhouse         | 1.82%            | 9/15/2011      | 8/1/2021                  | 404,563                      | 80,000                       |
| Municipal Purpose Loan of 2017:         |                  |                |                           |                              |                              |
| Municipal Golf Course                   | 2.50%            | 7/20/2017      | 8/15/2028                 | 3,120,000                    | 2,625,000                    |
| Total Outside Debt                      |                  |                |                           |                              | <u>2,705,000</u>             |
| Total business-type debt                |                  |                |                           |                              | <u>\$ 5,070,882</u>          |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Future Debt Service**

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2020, are as follows:

| Year      | Principal           | Interest          | Total               |
|-----------|---------------------|-------------------|---------------------|
| 2021      | \$ 613,984          | \$ 129,240        | \$ 743,224          |
| 2022      | 630,024             | 111,100           | 741,124             |
| 2023      | 581,185             | 93,388            | 674,573             |
| 2024      | 597,472             | 76,102            | 673,574             |
| 2025      | 613,885             | 58,288            | 672,173             |
| 2026-2029 | 2,034,332           | 80,514            | 2,114,846           |
|           | <u>\$ 5,070,882</u> | <u>\$ 548,632</u> | <u>\$ 5,619,514</u> |

A summary of the changes in governmental activities and business-type long-term obligations (including the Electric Light Department at December 31, 2019) is as follows:

|                                  | Balance<br>July 1, 2019 | Additions           | Reductions          | Balance<br>June 30, 2020 | Amounts Due<br>within One<br>Year |
|----------------------------------|-------------------------|---------------------|---------------------|--------------------------|-----------------------------------|
| <b>Governmental activities:</b>  |                         |                     |                     |                          |                                   |
| <b>Bonds Payable:</b>            |                         |                     |                     |                          |                                   |
| General obligation bonds         | \$ 22,315,000           | \$ -                | \$ 1,550,000        | \$ 20,765,000            | \$ 1,490,000                      |
| Compensated absences             | 643,536                 | 39,849              | 181,685             | 501,700                  | 120,456                           |
| Net OPEB liability               | 40,903,903              | 1,277,033           | -                   | 42,180,936               | -                                 |
| Net pension liability            | 21,578,547              | -                   | 965,232             | 20,613,315               | -                                 |
| Deferred Outflows: less          |                         |                     |                     |                          |                                   |
| loss on advance refunding        | (24,667)                | -                   | (12,333)            | (12,334)                 | (12,334)                          |
| Governmental activity            |                         |                     |                     |                          |                                   |
| Long-term liabilities            | <u>\$ 85,416,319</u>    | <u>\$ 1,316,882</u> | <u>\$ 2,684,584</u> | <u>\$ 84,048,617</u>     | <u>\$ 1,598,122</u>               |
| <b>Business type activities:</b> |                         |                     |                     |                          |                                   |
| <b>Bonds Payable:</b>            |                         |                     |                     |                          |                                   |
| General obligation bonds         | \$ 3,075,000            | \$ -                | \$ 310,000          | \$ 2,765,000             | \$ 315,000                        |
| Massachusetts Clean              |                         |                     |                     |                          |                                   |
| Water Trust bonds                | 2,668,667               | -                   | 362,785             | 2,305,882                | 298,984                           |
| Compensated absences             | 218,765                 | 18,491              | -                   | 237,256                  | 140,214                           |
| Other                            | 300,000                 | -                   | 150,000             | 150,000                  | -                                 |
| Net OPEB liability               | 1,962,659               | 137,577             | -                   | 2,100,236                | -                                 |
| Net pension liability            | 5,055,293               | 448,811             | -                   | 5,504,104                | -                                 |
| Deferred Outflows: less          |                         |                     |                     |                          |                                   |
| loss on advance refunding        | (78,261)                | -                   | (7,826)             | (70,435)                 | (7,826)                           |
| Business-type activity           |                         |                     |                     |                          |                                   |
| Long-term liabilities            | <u>\$ 13,202,123</u>    | <u>\$ 604,879</u>   | <u>\$ 814,959</u>   | <u>\$ 12,992,043</u>     | <u>\$ 746,372</u>                 |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Massachusetts Clean Water Trust (MCWT)**

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$6,755,242 and interest costs of \$1,869,384 for three loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2020 for principal and interest combined for the loans is \$2,477,395. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2020 principal and interest subsidies totaled \$22,915.

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2020 totaled \$12,330,882.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2020:

|   |                     |                         |
|---|---------------------|-------------------------|
| Equalized Valuation-Real Estate<br>and Personal Property (2020) |                     | <u>\$ 1,745,214,700</u> |
| Debt Limit: 5 % of Equalized value                              |                     | 87,260,735              |
| Total Debt Outstanding  | \$ 25,835,882       |                         |
| Less: Debt Outside Debt Limit                                   | <u>(13,505,000)</u> | <u>12,330,882</u>       |
|   |                     |                         |
| Inside Debt Excess Borrowing<br>Capacity at June 30, 2020       |                     | <u>\$ 74,929,853</u>    |

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

Loan authorizations that have not been issued as of June 30, 2020 and are not reflected in the Town's financial statements are as follows:

| <b>Date<br/>Town Meeting<br/>Authorized</b> | <b>Purpose</b>   | <b>Amount</b>        |
|---|--|----------------------|
| 5/3/1997                                    | Repair, renovation, reconstruction, purchase of equipment or other improvements to South Hadley School | \$ 476               |
| 5/3/1997                                    | Phase I - Sewer Separation in the Falls Area   | 6,816                |
| 5/2/1998                                    | Phase II - Construction of Sewer Separation in the lower falls area                                    | 140,617              |
| 10/20/1998                                  | Purchase of Equipment at the Department of Public Works<br>Water Pollution Control - Capital Outlay    | 17,000               |
| 5/1/1999                                    | Purchase of Capital Equipment  | 16,500               |
| 1/18/2005                                   | Land Purchase - Northeast Utilities  | 318,347              |
| 5/14/2005                                   | Phase II of Facility Plan Improvements   | 1,829,689            |
| 1/23/2007                                   | Planning, Developing, Constructing and Equipping a Permanent Golf Clubhouse Facility                   | 237,088              |
| 5/12/2007                                   | Combined Sewer Overflow Diversion Project  | 125,000              |
| 11/9/2010                                   | Plains Elementary School feasibility study   | 390,000              |
| 12/14/2011                                  | New Public Library   | 69,140               |
| 1/10/2013                                   | Plains Elementary School construction  | 14,673,801           |
| 1/10/2013                                   | Buttery Brook Park renovations   | 400,000              |
| 11/12/2014                                  | Building renovations, equipment and infrastructure improvements  | 2,677,600            |
| 5/8/2019                                    | Senior Center Construction   | 9,800,000            |
|   |  | <u>\$ 30,702,074</u> |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**H. Fund Balances**

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2020:

|                                     | General<br>Fund      | Senior Center<br>Construction<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|----------------------|---------------------------------------|-----------------------------------|--------------------------------|
| Nonspendable:                       |                      |                                       |                                   |                                |
| Permanent funds                     | \$ -                 | \$ -                                  | \$ 80,200                         | \$ 80,200                      |
| Restricted:                         |                      |                                       |                                   |                                |
| Federal, state and local grants     | -                    | -                                     | 923,716                           | 923,716                        |
| School federal and state grants     | -                    | -                                     | 458,766                           | 458,766                        |
| Town revolving funds                | -                    | -                                     | 237,379                           | 237,379                        |
| School revolving funds              | -                    | -                                     | 696,052                           | 696,052                        |
| Donations and gifts                 | -                    | -                                     | 389,135                           | 389,135                        |
| Cable access fund                   | -                    | -                                     | 437,679                           | 437,679                        |
| Capital projects                    | -                    | -                                     | 946,448                           | 946,448                        |
| Permanent funds                     | -                    | -                                     | 82,537                            | 82,537                         |
| Restricted for debt                 | 215,650              | -                                     | -                                 | 215,650                        |
| Other                               | -                    | -                                     | 302,908                           | 302,908                        |
|                                     | <u>215,650</u>       | <u>-</u>                              | <u>4,474,620</u>                  | <u>4,690,270</u>               |
| Committed:                          |                      |                                       |                                   |                                |
| Conservation fund                   | -                    | -                                     | 89,576                            | 89,576                         |
| Policeman's line of duty fund       | -                    | -                                     | 710,581                           | 710,581                        |
| Workers compensation insurance fund | -                    | -                                     | 587,634                           | 587,634                        |
|                                     | <u>-</u>             | <u>-</u>                              | <u>1,387,791</u>                  | <u>1,387,791</u>               |
| Assigned:                           |                      |                                       |                                   |                                |
| General government                  | 167,994              | -                                     | -                                 | 167,994                        |
| Public safety                       | 10,704               | -                                     | -                                 | 10,704                         |
| Public works                        | 341,870              | -                                     | -                                 | 341,870                        |
| Education                           | 248,443              | -                                     | -                                 | 248,443                        |
| Health and human services           | 8,307                | -                                     | -                                 | 8,307                          |
| Culture and recreation              | 122,688              | -                                     | -                                 | 122,688                        |
| Employee benefits and insurance     | 97,104               | -                                     | -                                 | 97,104                         |
| Subsequent year's budget            | 374,763              | -                                     | -                                 | 374,763                        |
|                                     | <u>1,371,873</u>     | <u>-</u>                              | <u>-</u>                          | <u>1,371,873</u>               |
| Unassigned:                         |                      |                                       |                                   |                                |
| General Fund                        | 9,956,806            | -                                     | -                                 | 9,956,806                      |
| Deficit special revenue             | -                    | -                                     | (78,338)                          | (78,338)                       |
| Deficit capital projects            | -                    | (1,194,687)                           | (1,310,477)                       | (2,505,164)                    |
|                                     | <u>9,956,806</u>     | <u>(1,194,687)</u>                    | <u>(1,388,815)</u>                | <u>7,373,304</u>               |
| Total Governmental fund balances    | <u>\$ 11,544,329</u> | <u>\$ (1,194,687)</u>                 | <u>\$ 4,553,796</u>               | <u>\$ 14,903,438</u>           |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**I. Special Trust Funds**

**Stabilization Fund**

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2020 the balances in the stabilization funds are reported as unassigned fund balance consisting of the following:

|                                    |    |           |
|------------------------------------|----|-----------|
| General purpose stabilization fund | \$ | 2,130,849 |
| Capital stabilization fund         |    | 1,807,926 |
| Energy stabilization fund          |    | 99,186    |
| Mosier School stabilization fund   |    | 210,923   |
| Senior Center stabilization fund   |    | 17,173    |
|                                    |    | 17,173    |
|                                    | \$ | 4,266,057 |

**4. OTHER INFORMATION**

**A. Risk Management**

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

**Hampshire County Health Group**

The Town, along with other government entities from the neighboring geographic area, is a member of the Hampshire County Health Group (HCHG), a public entity risk pool, currently operating as a common risk sharing management and health insurance program for eligible active and former employees of its members.

Payments in the form of insurance premiums, are made monthly to the HCHG. These payments are funded in part from the Town, recorded as expenditures in the general fund, and payroll withholdings from active employees, or direct payments from retired and certain eligible former employees. The Town pays between 55% and 74% of the cost of the insurance for active employees. Retired and other past employees who may be eligible to participate in the plan must pay between 26% and 45% of their premium costs.

The Town makes payments to HCHG in the form of monthly premiums based upon actual employee enrollment. HCHG makes payment, through a third-party administrator for actual health claims incurred for the entire group. At the end of HCHG's fiscal year, the Group's insurance consultant will determine if assets are sufficient to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

As of the HCHG's most recent available unaudited financial statements (fiscal year ended June 30, 2019), the HCHG had an unrestricted net asset balance of \$24,464,951.

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

The Town's landfill site is currently being operated and managed by an independent third party under an agreement dated June 23, 2009. Under this agreement, the third party agrees to operate and conduct closure on Cell 2B and develop, operate and conduct closure and post closure activities on the expansions as provided in the agreement. No accrual has been set up on the financial statements for closure and post-closure care costs as of the beginning or ending of the fiscal year. The Town receives a post-closure fee from a third party and these receipts are set up as a reserve on the financial statements. The actual cost of closure and post-closure care may be higher due to inflation, changes in technology, changes in estimates, or changes in landfill regulations. The balance of the reserve at June 30, 2020 is \$3,017,550.

**C. Contingent Liabilities**

**Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

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

**Electric Light Department - Massachusetts Municipal Wholesale Electric Company**

The Town of South Hadley, acting through its Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own, or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No.1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI). The operating license for the Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs, the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

The annual capacity, fuel and transmission costs (which include debt service, operations and maintenance, and decommissioning expenses as discussed above) associated with the Department's Project Capacity of the Projects in which it participates is \$3,274,535 for the year ended December 31, 2019.

**Source of Labor Supply**

Fifty percent of the Department's labor force is covered under a collective bargaining agreement between the South Hadley Electric Light Department and the International Brotherhood of Electric Workers Local Union 455. The current agreement expires June 30, 2020.

**Major Customer**

The Department has one customer whose revenue individually represented 11% of the total revenue in 2019. Amount due from this customer was \$97,556 at December 31, 2019.

**Claims and Judgements**

From time to time, the Department is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Department's legal counsel that the likelihood is remote that any such claim or proceeding will have a materially adverse effect on the Department's financial position or results of operations.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**D. COVID-19**

The Covid-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of Covid-19 on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which Covid-19 may impact our financial condition or results of operations is uncertain.

**E. Subsequent Events**

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

**F. Pension Plan**

**Plan Description**

The Town is a member of the Hampshire County Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Hampshire County Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 99 Industrial Drive, Northampton, Massachusetts 01060.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

**Special Funding Situation**

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense contributed by the Commonwealth of \$5,741,027 on-behalf payments for the fiscal year ending June 30, 2020 is reported as intergovernmental on-behalf payments in the revenue and employee benefits and insurance expenditures in the General Fund as of the measurement date.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Benefits Provided**

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

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

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

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2019 was \$3,211,066, representing 28.44% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

**Pension Liability**

As of June 30, 2020, the Town recognized a liability of \$26,404,160 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to rolled back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportional percentage was 13.217%, which was a slight increase from the last measurement.

**Pension Expense**

For the year ended June 30, 2020, the Town recognized a pension expense of \$3,634,154 and reported deferred outflows of resources related to pensions of \$6,510,581 from the difference between expected and actual investment earnings on pension plan investment, changes in assumption and from the changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$6,832,557 from the from the difference between projected and actual experience, the difference between projected and actual investment earnings on pension plan investment, changes in assumption and from the changes in proportion and differences between employer contributions and proportionate share of contributions.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

| <u>For years ended June 30,</u> |                     |
|---------------------------------|---------------------|
| <b>2021</b>                     | \$ (66,503)         |
| <b>2022</b>                     | (464,995)           |
| <b>2023</b>                     | 305,360             |
| <b>2024</b>                     | (840,377)           |
| <b>2025</b>                     | 351,198             |
| <b>Thereafter:</b>              | 393,341             |
|                                 | <u>\$ (321,976)</u> |

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

|                               |  |
|-------------------------------|--|
| Valuation date                | January 1, 2020  |
| Actuarial cost method         | Entry Age Normal Cost Method   |
| Amortization method           | Increasing dollar amount at 4.0%   |
| Remaining amortization period | 14 years   |
| Asset valuation method        | Is the market value of assets as of the valuation date reduced by the sum of:<br>80% of gains and losses of the prior year.<br>60% of gains and losses of the second prior year.<br>40% of gains and losses of the third prior year.<br>20% of gains and losses of the fourth prior year.<br><br>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial value of assets is further constrained to be not less than 90% or more than 110% of the market value. |
| Inflation                     | 2.40% per year   |
| Investment rate of return     | 7.15% per year   |
| Projected salary increases    | Group 1: 6.00% -- 4.25%; based on service<br>Group 4: 7.00% -- 4.75%; based on service   |
| Mortality rates               | RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.<br>For disabled retirees, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational improvement using Scale MP-2018.<br>Mortality assumptions reflect the PERAC local system retiree mortality study completed in 2019.  |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Long-term Expected Real Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2019, are summarized in the following table:

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------------------|--------------------------|---|
| Large Cap Equities                | 15.5%                    | 5.00%   |
| Small/Mid Cap Equities            | 4.5%                     | 5.20%   |
| International Equities (Unhedged) | 16.5%                    | 5.20%   |
| Emerging International Equities   | 6.0%                     | 7.10%   |
| Private Equity                    | 10.0%                    | 8.80%   |
| Core Fixed Income                 | 20.0%                    | 0.20%   |
| High-Yield Bonds                  | 3.0%                     | 3.40%   |
| Bank Loans                        | 3.0%                     | 2.70%   |
| EMD (Local Currency)              | 6.0%                     | 3.20%   |
| Private Debt                      | 1.5%                     | 5.40%   |
| Real Estate                       | 12.0%                    | 3.30%   |
| Cash                              | 2.0%                     | -0.60%  |
| Total                             | <u>100.0%</u>            |   |

**Rate of Return**

For the year ended December 31, 2019, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.30%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made in accordance with Section 22D and Section 22F of Chapter 32 of Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate used was 2.74%, based on the December 2019 Bond Buyer Index as published by the Federal Reserve.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.15%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

|                              | <b>1% Decrease<br/>(6.15%)</b> | <b>Current<br/>Discount Rate<br/>(7.15%)</b> | <b>1% Increase<br/>(8.15%)</b> |
|------------------------------|--------------------------------|--|--------------------------------|
| Town's net pension liability | \$ 34,948,405                  | \$ 26,404,160                                | \$ 19,183,786                  |

**G. Other Post Employment Benefits Payable**

For 2020, the Post Employment Benefits Other Than Pensions disclosures include amounts related to GASB No. 74 and GASB No. 75 for Accounting and Financial Reporting for Post employment Benefit Plans Other Than Pension Plans for the Town and for the South Hadley Electric Light Department (the Department) (as of December 31, 2019) Business-type activities. The liability for the Town and the Department combined to equal the total net OPEB liability reported of \$44,281,172 on the Statement of Net Position.

**GASB Statement No. 74 and GASB Statement No. 75**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

**Plan Description**

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 861 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**Investments**

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Selectboard by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2020, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Investment Policies (refer to note 3A).

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on the June 30, 2020 Measurement Date to Town premiums plus implicit costs for the retiree medical program were \$1,918,156. The Town also made a contribution to an OPEB Trust of \$150,000 for a total contribution during the measurement period of \$2,068,156. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2020, the Town's trust balance is \$1,450,008.

**Measurement Date**

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

**Plan Membership:**

|  |     |
|--|-----|
| Current active members                         | 462 |
| Current retirees, beneficiaries and dependents | 399 |
| Total  | 861 |

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

|  | <b>6/30/2020</b> |
|--|------------------|
| Total OPEB liability   | \$ 45,048,509    |
| Less: Plan fiduciary net position  | (1,450,008)      |
| Town's Net OPEB liability  | \$ 43,598,501    |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability | 3.2%             |

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated for the reporting date of June 30, 2020, unless otherwise specified:

|                                 |   |
|---------------------------------|---|
| Valuation date                  | July 1, 2018  |
| Actuarial cost method           | Individual Entry Age Normal                                     |
| Investment rate of return       | 6.36%, net of OPEB plan investment expense, including inflation |
| Single Equivalent Discount rate | 4.75% net of OPEB plan investment expense, including inflation  |
| Inflation rate                  | 2.50% as of June 30, 2020 and for future periods                |
| Participant salary increases    | 3.00% as of June 30, 2020 and for future periods                |
| Healthcare cost trend rates     | 4.50% annually  |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

|                                      |   |
|--------------------------------------|---|
| Mortality rates                      |   |
| Pre-retirement mortality (General)   | RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one year for females.          |
| Post-retirement mortality (General)  | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females. |
| Disabled retirees (General)          | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year.             |
| Pre-retirement mortality (Teachers)  | RP-2014 Mortality Table for White Collar Employees projected generational with Scale MP-2016 for males and females.   |
| Post-retirement mortality (Teachers) | RP-2014 Mortality Table for White Collar Healthy Annuitants projected generational with Scale MP-2016 for males and females.                                    |
| Disabled retirees (Teachers)         | RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.                                  |

The actuarial assumptions used the July 1, 2018 actuarial valuation and market value of assets as of the measurement date of June 30, 2020 were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Index - SAPIHG as of June 30, 2020 is 2.66%.

**Long-term Expected Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The chart below shows how the long-term rate of return on assets is developed based on the Town's Investment Policy Statement.

| <b>Asset Class</b>                      | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|---|--------------------------|---|
| Domestic Equity - Large Capital         | 20.00%                   | 4.90%   |
| Domestic Equity - Small/Mid Capital     | 10.00%                   | 5.40%   |
| International Equity - Developed Market | 10.00%                   | 5.32%   |
| International Equity - Emerging Market  | 5.00%                    | 6.26%   |
| Domestic Fixed Income                   | 25.00%                   | 1.40%   |
| International Fixed Income              | 10.00%                   | 1.30%   |
| Alternatives                            | 20.00%                   | 6.32%   |
| Real Estate                             | 0.00%                    | 6.25%   |
| Total                                   | <u>100.00%</u>           |   |
| I. Real Rate of Return                  |                          | 4.11%   |
| II. Add: Inflation Assumption           |                          | 2.50%   |
| III. Total Nominal Return (I. + II.)    |                          | <u>6.61%</u>                                  |
| IV. Less: Investment Expense            |                          | 0.25%   |
| V. Net investment Return (III.-IV.)     |                          | <u>6.36%</u>                                  |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 2.27%.

**Changes in the Net OPEB Liability**

|   | Increase (Decrease)     |                                |                         |
|---|-------------------------|--------------------------------|-------------------------|
|   | Total OPEB<br>Liability | Plan Fiduciary<br>Net Position | Total OPEB<br>Liability |
| Balances at June 30, 2019                               | \$ 43,623,797           | \$ 1,268,040                   | \$ 42,355,757           |
| Service cost  | 1,256,101               | -                              | 1,256,101               |
| Interest on Total OPEB Liability                        | 2,086,767               | -                              | 2,086,767               |
| Changes in benefit terms *                              | -                       | -                              | -                       |
| Changes in assumptions **                               | -                       | -                              | -                       |
| Difference between actual and<br>expected experience ** | -                       | -                              | -                       |
| Net investment income                                   | -                       | 31,968                         | (31,968)                |
| Employer contributions to Trust                         | -                       | 2,068,156                      | (2,068,156)             |
| Total benefit payments including implicit cost          | (1,918,156)             | (1,918,156)                    | -                       |
| Net change in total OPEB liability                      | 1,424,712               | 181,968                        | 1,242,744               |
| Balances at June 30, 2020                               | \$ 45,048,509           | \$ 1,450,008                   | \$ 43,598,501           |

\* = Recognized immediately

\*\* = Amortized over 5.93 years

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan assets is applied to the projected benefit payments which the fiduciary net position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter.

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current rate:

|                           | 1% Decrease<br>(3.75%) | Current<br>Discount Rate<br>(4.75%) | 1% Increase<br>(5.75%) |
|---------------------------|------------------------|-------------------------------------|------------------------|
| Town's net OPEB liability | \$ 49,881,777          | \$ 43,598,501                       | \$ 38,456,975          |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

|                           | <b>1% Decrease<br/>(3.50%)</b> | <b>Healthcare<br/>Cost Trend<br/>Rates<br/>(4.50%)</b> | <b>1% Increase<br/>(5.50%)</b> |
|---------------------------|--------------------------------|--|--------------------------------|
| Town's net OPEB liability | \$ 37,932,231                  | \$ 43,598,501  | \$ 50,617,923                  |

**Summary of Significant Accounting Policies**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or 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, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

**Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$1,596,649 and reported deferred outflows of resources related to OPEB of \$3,266,147 from changes in assumptions and the net difference between projected and actual earnings on OPEB plan investments; and deferred inflows of resources related to OPEB of \$1,668,504 from the differences between actual and expected experience and the net difference between projected and actual earnings on OPEB plan investments.

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

| <b>For years ended June 30,</b> |              |
|---------------------------------|--------------|
| <b>2021</b>                     | \$ 407,281   |
| <b>2022</b>                     | 407,283      |
| <b>2023</b>                     | 403,222      |
| <b>2024</b>                     | 379,857      |
|                                 | \$ 1,597,643 |

**South Hadley Electric Light Department (the Department), December 31, 2019**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Department recognizes the cost of post employment benefits in the year when the employee services are received. The Department reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Department's future cash flows.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Plan Description**

The Department participates in the Town of South Hadley's Other Post Employment Benefit Plan, a single employer defined benefit plan. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 42 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**Plan Membership:**

|  |    |  |
|--|----|--|
| Current active members                         | 21 |  |
| Current retirees, beneficiaries and dependents | 21 |  |
| Total  | 42 |  |

**Benefits Provided**

The Plan offers medical, dental and life insurance coverage to all eligible retired employees. A retired employee hired on or after April 2, 2012, becomes eligible upon reaching age 60 with ten years of service. A retired employee hired before April 2, 2012, becomes eligible upon reaching age 55 with 10 years of service or upon completing 20 years of service.

**Contributions**

As of December 31, 2019, a retired employee contributes 26% to 45% of stated premiums for their chosen medical plan, 100% of stated premiums for their chosen dental plan, and 50% of the premiums for a \$5,000 group term life insurance benefit. The Department contributes the remainder of the medical, dental and life insurance costs on a pay-as-you-go basis. The Department did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of December 31, 2019, the Electric Light Department's trust balance is \$876,919.

**Measurement Date**

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

**Net OPEB Liability of the Department**

The components of the net OPEB liability are as follows:

|  |              |                          |
|--|--------------|--------------------------|
|  |              | <u><b>12/31/2019</b></u> |
| Total OPEB liability   | \$ 1,559,590 |                          |
| Less: Plan fiduciary net position  | (876,919)    |                          |
| Department's Net OPEB liability  | \$ 682,671   |                          |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability | 56.2%        |                          |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Actuarial Methods and Assumptions**

The measurement of the total OPEB liability for 2019 was determined by an independent actuary using the entry age normal cost method. The assumptions used to measure the total OPEB liability included an inflation assumption of 2.50% to 2.75% per year and salary increases of 3.00% per year. Healthcare coverage assumptions include acceptance rates which were consistent with elections made by retiring employees in recent years. The mortality assumptions were based on the RP-2014 Employee Mortality Table projected generationally using Scale MP-2016 for both males and females for non-disabled members. The forgoing table was set forward one year for disabled members. The healthcare cost trend assumptions are based on a trend rate of 4.50% to 5.00%.

The projected long-term rate of return on OPEB plan investments was determined using a building block method, which considers historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions. These best estimate ranges, net of long-term inflation, are combined to produce the long-term expected rate of return of 5.84%.

**Long-term Expected Rate of Return**

The long-term expected rate of return on OPEB plan investments is developed based on the Department's investment policy is summarized in the following table:

| <b>Asset Class</b>                      | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|---|--------------------------|---|
| Domestic Equity - Large Capital         | 30.00%                   | 4.00%   |
| Domestic Equity - Small/Mid Capital     | 12.50%                   | 6.00%   |
| International Equity - Developed Market | 7.50%                    | 4.50%   |
| International Equity - Emerging Market  | 0.00%                    | 7.00%   |
| Domestic Fixed Income                   | 30.00%                   | 2.00%   |
| International Fixed Income              | 15.00%                   | 3.00%   |
| Real Estate                             | 0.00%                    | 6.50%   |
| Alternatives                            | 0.00%                    | 6.25%   |
| Cash                                    | 5.00%                    | 0.00%   |
| Total                                   | <u>100.00%</u>           |   |

**Rate of Return**

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2019, the annual money-weighted rate of return, net of investment expense, was 19.55%.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Changes in the Net OPEB Liability**

The following schedule presents the changes in the Department's net OPEB liability for the year ended December 31, 2019:

|  | Increase (Decrease)     |                                |                         |
|--|-------------------------|--------------------------------|-------------------------|
|  | Total OPEB<br>Liability | Plan Fiduciary<br>Net Position | Total OPEB<br>Liability |
| Balances at December 31, 2018                        | \$ 1,244,318            | \$ 733,513                     | \$ 510,805              |
| Service cost   | 40,166                  | -                              | 40,166                  |
| Interest on Total OPEB Liability                     | 72,368                  | -                              | 72,368                  |
| Changes in benefit terms                             | -                       | -                              | -                       |
| Changes in assumptions                               | 122,045                 | -                              | 122,045                 |
| Difference between actual and<br>expected experience | 133,260                 | -                              | 133,260                 |
| Net investment income                                | -                       | 143,406                        | (143,406)               |
| Employer contributions to Trust                      | -                       | 52,567                         | (52,567)                |
| Total benefit payments including implicit cost       | (52,567)                | (52,567)                       | -                       |
| Net change in total OPEB liability                   | 315,272                 | 143,406                        | 171,866                 |
| Balances at December 31, 2019                        | \$ 1,559,590            | \$ 876,919                     | \$ 682,671              |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the sensitivity of the net OPEB liability as well as what the Department's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

|  | 1% Decrease<br>(4.75%)          | Current<br>Discount Rate<br>(5.75%) | 1% Increase<br>(6.75%) |
|--|---------------------------------|-------------------------------------|------------------------|
|  | Department's net OPEB liability | \$ 854,493                          | \$ 682,671             |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

The following presents the Department's net OPEB liability as well as what the Department's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate:

|                                 | <b>1% Decrease<br/>(3.50%)</b> |    | <b>Healthcare<br/>Cost Trend<br/>Rates<br/>(4.50%)</b> |    | <b>1% Increase<br/>(5.50%)</b> |
|---------------------------------|--------------------------------|----|--|----|--------------------------------|
| Department's net OPEB liability | \$ 525,531                     | \$ | 682,671  | \$ | 869,694                        |

**Summary of Significant Accounting Policies**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or 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, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

**Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the GASB Statement No. 75 reporting period and fiscal year ending date, the Department recognized an OPEB expense of \$91,757 and reported deferred outflows of resources related to OPEB of \$278,903 from changes in assumptions, the differences between actual and expected experience and the net difference between projected and actual earnings on OPEB plan investments; and deferred inflows of resources related to OPEB of \$134,443 from the differences between actual and expected experience and the net difference between projected and actual earnings on OPEB plan investments.

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

| <b>For years ended December 31,</b> |            |
|-------------------------------------|------------|
| <b>2020</b>                         | \$ 20,887  |
| <b>2021</b>                         | 37,687     |
| <b>2022</b>                         | 55,175     |
| <b>2023</b>                         | 30,711     |
|                                     | \$ 144,460 |

**H. Implementation of New GASB Pronouncements**

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**I. Future GASB Pronouncements**

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

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, for implementation in fiscal year 2021 and 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Hampshire County Retirement System**  
**For the Year Ended June 30, 2020**

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

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

| <b>Measurement Date</b> | <b>Town's proportion of the net pension liability (asset)</b> | <b>Town's proportionate share of the net pension liability (asset)</b> | <b>Town's covered employee payroll</b> | <b>Net pension liability percentage of covered employee payroll</b> | <b>Plan fiduciary net position as a percentage of the total pension liability</b> |
|-------------------------|---|--|--|---|---|
| 12/31/2019              | 13.217%   | \$ 26,404,160  | \$ 11,291,051                          | 233.85%   | 64.20%  |
| 12/31/2018              | 12.697%   | \$ 27,382,473  | \$ 10,695,231                          | 256.03%   | 58.89%  |
| 12/31/2017              | 13.068%   | \$ 24,270,796  | \$ 10,031,595                          | 241.94%   | 63.15%  |
| 12/31/2016              | 13.583%   | \$ 29,856,412  | \$ 10,526,077                          | 283.64%   | 55.61%  |
| 12/31/2015              | 13.440%   | \$ 27,911,779  | \$ 10,917,192                          | 255.67%   | 55.29%  |
| 12/31/2014              | 12.468%   | \$ 23,259,189  | \$ 10,413,324                          | 223.36%   | 58.07%  |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Hampshire County Retirement System**  
**For the Year Ended June 30, 2020**

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

**Schedule of the Town's Contributions:**

| <b>Measurement<br/>Date</b> | <b>Actuarially<br/>determined<br/>contribution</b> | <b>Less:<br/>Contributions<br/>in relation to<br/>the actuarially<br/>determined<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Town's<br/>covered<br/>employee<br/>payroll</b> | <b>Contributions<br/>percentage<br/>of covered<br/>employee<br/>payroll</b> |
|-----------------------------|--|---|---|--|---|
| 12/31/2019                  | \$ 3,211,066                                       | \$ (3,211,066)  | \$ -  | \$ 11,291,051                                      | 28.44%  |
| 12/31/2018                  | \$ 2,869,344                                       | \$ (2,869,344)  | \$ -  | \$ 10,695,231                                      | 26.83%  |
| 12/31/2017                  | \$ 2,787,457                                       | \$ (2,787,457)  | \$ -  | \$ 10,031,595                                      | 27.79%  |
| 12/31/2016                  | \$ 2,674,901                                       | \$ (2,674,901)  | \$ -  | \$ 10,526,077                                      | 25.41%  |
| 12/31/2015                  | \$ 2,503,500                                       | \$ (2,503,500)  | \$ -  | \$ 10,917,192                                      | 22.93%  |
| 12/31/2014                  | \$ 2,173,774                                       | \$ (2,173,774)  | \$ -  | \$ 10,413,324                                      | 20.87%  |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2020**

**Town Schedule of Changes in the Net OPEB Liability:**

|  | <u>6/30/2020</u>     | <u>6/30/2019</u>     | <u>6/30/2018</u>     |
|--|----------------------|----------------------|----------------------|
| <b>Total OPEB liability</b>                                    |                      |                      |                      |
| Service cost   | \$ 1,256,101         | \$ 1,220,103         | \$ 1,140,205         |
| Interest on net OPEB liability                                 | 2,086,767            | 1,912,383            | 1,844,342            |
| Changes in Benefit terms                                       | -                    | -                    | -                    |
| Changes in Assumptions   | -                    | 4,851,616            | -                    |
| Difference between actual<br>and expected experience           | -                    | (2,497,585)          | -                    |
| Benefit payments, including refunds<br>of member contributions | <u>(1,918,156)</u>   | <u>(1,785,910)</u>   | <u>(1,481,613)</u>   |
| Net change in total OPEB liability                             | 1,424,712            | 3,700,607            | 1,502,934            |
| Prior Period Adjustments                                       | -                    | -                    | 116,976              |
| Total OPEB liability-beginning                                 | <u>43,623,797</u>    | <u>39,923,190</u>    | <u>38,303,280</u>    |
| <b>Total OPEB liability-ending (a)</b>                         | <u>\$ 45,048,509</u> | <u>\$ 43,623,797</u> | <u>\$ 39,923,190</u> |
| <br><b>Plan fiduciary net position</b>                         |                      |                      |                      |
| Net investment income  | \$ 31,968            | \$ 91,485            | \$ 23,727            |
| Employer contributions to Trust                                | 2,068,156            | 2,070,060            | 1,961,613            |
| Benefit payments, including refunds<br>of member contributions | <u>(1,918,156)</u>   | <u>(1,785,910)</u>   | <u>(1,481,613)</u>   |
| Net change in plan fiduciary net position                      | 181,968              | 375,635              | 503,727              |
| Total fiduciary net position-beginning                         | <u>1,268,040</u>     | <u>892,405</u>       | <u>388,678</u>       |
| <b>Total fiduciary net position-ending (b)</b>                 | <u>\$ 1,450,008</u>  | <u>\$ 1,268,040</u>  | <u>\$ 892,405</u>    |
| <br><b>Town's net OPEB liability (a-b)</b>                     | <u>\$ 43,598,501</u> | <u>\$ 42,355,757</u> | <u>\$ 39,030,785</u> |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2020**

**Town Schedule of Net OPEB Liability:**

|   | <u>6/30/2020</u>     | <u>6/30/2019</u>     | <u>6/30/2018</u>     |
|---|----------------------|----------------------|----------------------|
| Total OPEB liability  | \$ 45,048,509        | \$ 43,623,797        | \$ 39,923,190        |
| Less: Plan fiduciary net position   | (1,450,008)          | (1,268,040)          | (892,405)            |
| Town's Net OPEB liability   | <u>\$ 43,598,501</u> | <u>\$ 42,355,757</u> | <u>\$ 39,030,785</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability                       | 3.22%                | 2.91%                | 2.24%                |
| Town's share of covered employee payroll  | \$ 23,178,228        | \$ 22,503,134        | \$ 21,847,702        |
| Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll | 188.10%              | 188.22%              | 178.65%              |

**Town Schedule of Contributions:**

|  | <u>6/30/2020</u>    | <u>6/30/2019</u>    | <u>6/30/2018</u>    |
|--|---------------------|---------------------|---------------------|
| Actuarially determined contribution  | \$ 3,091,947        | \$ 3,775,983        | \$ 3,495,446        |
| Less: Contributions in relation to the actuarially determined contribution | (2,068,156)         | (2,070,060)         | (1,961,613)         |
| Contribution deficiency (excess)   | <u>\$ 1,023,791</u> | <u>\$ 1,705,923</u> | <u>\$ 1,533,833</u> |
| Town's share of covered employee payroll                                   | \$ 23,178,228       | \$ 22,503,134       | \$ 21,847,702       |
| Contributions percentage of covered-employee payroll                       | 8.92%               | 9.20%               | 8.98%               |
| Annual money-weighted rate of return net of investment expense             | 2.27%               | 8.89%               | 3.79%               |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT  
Required Supplementary Information  
Other Post Employment Benefit Plan Schedules  
For the Year Ended December 31, 2019**

**South Hadley Electric Light Department Schedule of Changes in the Net OPEB Liability:**

|  | <u>12/31/2019</u>          | <u>12/31/2018</u>          | <u>12/31/2017</u>          |
|--|----------------------------|----------------------------|----------------------------|
| <b>Total OPEB liability</b>                                    |                            |                            |                            |
| Service cost   | \$ 40,166                  | \$ 34,695                  | \$ 30,944                  |
| Interest on net OPEB liability                                 | 72,368                     | 68,019                     | 67,503                     |
| Changes in Benefit terms                                       | -                          | -                          | -                          |
| Changes in Assumptions   | 122,045                    | 47,800                     | -                          |
| Difference between actual<br>and expected experience           | 133,260                    | -                          | (120,349)                  |
| Benefit payments, including refunds<br>of member contributions | <u>(52,567)</u>            | <u>(61,941)</u>            | <u>(58,106)</u>            |
| Net change in total OPEB liability                             | 315,272                    | 88,573                     | (80,008)                   |
| Total OPEB liability-beginning                                 | <u>1,244,318</u>           | <u>1,155,745</u>           | <u>1,235,753</u>           |
| <b>Total OPEB liability-ending (a)</b>                         | <b><u>\$ 1,559,590</u></b> | <b><u>\$ 1,244,318</u></b> | <b><u>\$ 1,155,745</u></b> |
| <b>Plan fiduciary net position</b>                             |                            |                            |                            |
| Net investment income  | \$ 143,406                 | \$ (31,929)                | \$ 99,231                  |
| Employer contributions to Trust                                | 52,567                     | 61,941                     | 58,106                     |
| Benefit payments, including refunds<br>of member contributions | <u>(52,567)</u>            | <u>(61,941)</u>            | <u>(58,106)</u>            |
| Net change in plan fiduciary net position                      | 143,406                    | (31,929)                   | 99,231                     |
| Total fiduciary net position-beginning                         | <u>733,513</u>             | <u>765,442</u>             | <u>666,211</u>             |
| <b>Total fiduciary net position-ending (b)</b>                 | <b><u>\$ 876,919</u></b>   | <b><u>\$ 733,513</u></b>   | <b><u>\$ 765,442</u></b>   |
| <b>Department's net OPEB liability (a-b)</b>                   | <b><u>\$ 682,671</u></b>   | <b><u>\$ 510,805</u></b>   | <b><u>\$ 390,303</u></b>   |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SOUTH HADLEY ELECTRIC LIGHT DEPARTMENT  
Required Supplementary Information  
Other Post Employment Benefit Plan Schedules  
For the Year Ended December 31, 2019**

**South Hadley Electric Light Department Schedule of Net OPEB Liability:**

|  | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> |
|--|-------------------|-------------------|-------------------|
| Total OPEB liability   | \$ 1,559,590      | \$ 1,244,318      | \$ 1,155,745      |
| Less: Plan fiduciary net position  | <u>(876,919)</u>  | <u>(733,513)</u>  | <u>(765,442)</u>  |
| Department's Net OPEB liability  | <u>\$ 682,671</u> | <u>\$ 510,805</u> | <u>\$ 390,303</u> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability                       | 56.23%            | 58.95%            | 66.23%            |
| Department's share of covered employee payroll   | \$ 1,805,681      | \$ 1,816,138      | \$ 1,763,241      |
| Participating employer net OPEB liability (asset)<br>as a percentage of covered-employee payroll | 37.81%            | 28.13%            | 22.14%            |

**South Hadley Electric Light Department Schedule of Contributions:**

|   | <u>12/31/2019</u> | <u>12/31/2018</u> | <u>12/31/2017</u> |
|---|-------------------|-------------------|-------------------|
| Actuarially determined contribution   | \$ 85,817         | \$ 70,956         | \$ 61,730         |
| Less: Contributions in relation to the actuarially<br>determined contribution | <u>(52,567)</u>   | <u>(61,941)</u>   | <u>(58,106)</u>   |
| Contribution deficiency (excess)  | <u>\$ 33,250</u>  | <u>\$ 9,015</u>   | <u>\$ 3,624</u>   |
| Department's share of covered employee payroll                                | \$ 1,805,681      | \$ 1,816,138      | \$ 1,763,241      |
| Contributions percentage of covered-employee payroll                          | 2.91%             | 3.41%             | 3.30%             |
| Annual money-weighted rate of return<br>net of investment expense             | 19.55%            | (4.17%)           | 14.89%            |

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

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
Required Supplementary Information  
Other Post Employment Benefit Plan Schedules  
For the Year Ended June 30, 2020**

**Town Schedule of Funding Progress:**

| <b>Other Post Employment Benefits</b> |   |   |   |   |  |  |
|---------------------------------------|---|---|---|---|--|--|
| <b>Measurement Date</b>               | <b>Actuarial<br/>Fiduciary<br/>Net<br/>Position<br/>(A)</b> | <b>Actuarial<br/>Total<br/>OPEB<br/>Liability<br/>(B)</b> | <b>Actuarial<br/>Net<br/>OPEB<br/>Liability<br/>(B-A)</b> | <b>Actuarial<br/>Funded<br/>Ratio<br/>(A/B)</b> | <b>Actuarial<br/>Covered<br/>Payroll<br/>(C)</b> | <b>Actuarial<br/>Percentage<br/>of Covered<br/>Payroll<br/>((B-A)/C)</b> |
| 6/30/2020                             | \$ 1,450,008  | \$ 45,048,509   | \$ 43,598,501   | 3.22%   | \$ 23,178,228                                    | 188.10%  |
| 6/30/2019                             | \$ 1,268,040  | \$ 43,623,797   | \$ 42,355,757   | 2.91%   | \$ 22,503,134                                    | 188.22%  |
| 6/30/2018                             | \$ 892,405  | \$ 39,923,190   | \$ 39,030,785   | 2.24%   | \$ 21,847,702                                    | 178.65%  |

**South Hadley Electric Light Department (as of December 31, 2019) Schedule of Funding Progress:**

| <b>Other Post Employment Benefits</b> |   |   |   |   |  |  |
|---------------------------------------|---|---|---|---|--|--|
| <b>Measurement Date</b>               | <b>Actuarial<br/>Fiduciary<br/>Net<br/>Position<br/>(A)</b> | <b>Actuarial<br/>Total<br/>OPEB<br/>Liability<br/>(B)</b> | <b>Actuarial<br/>Net<br/>OPEB<br/>Liability<br/>(B-A)</b> | <b>Actuarial<br/>Funded<br/>Ratio<br/>(A/B)</b> | <b>Actuarial<br/>Covered<br/>Payroll<br/>(C)</b> | <b>Actuarial<br/>Percentage<br/>of Covered<br/>Payroll<br/>((B-A)/C)</b> |
| 12/31/2019                            | \$ 876,919  | \$ 1,559,590  | \$ 682,671  | 56.23%  | \$ 1,805,681                                     | 37.81%   |
| 12/31/2018                            | \$ 733,513  | \$ 1,244,318  | \$ 510,805  | 58.95%  | \$ 1,816,138                                     | 28.13%   |
| 12/31/2017                            | \$ 765,442  | \$ 1,155,745  | \$ 390,303  | 66.23%  | \$ 1,763,241                                     | 22.14%   |

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

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | Fund Balances<br>July 1, 2019 | Revenues            | Expenditures        | Other Financing<br>Sources (Uses) | Fund Balances<br>June 30, 2020 |
|--|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Special Revenue:</b>                    |                               |                     |                     |                                   |                                |
| <b>Federal and State Grants:</b>           |                               |                     |                     |                                   |                                |
| School Grants                              | \$ 70,530                     | \$ 950,364          | \$ 989,116          | \$ -                              | \$ 31,778                      |
| Arts Lottery Council Grant                 | 7,767                         | 12,524              | 13,624              | -                                 | 6,667                          |
| Board of Health Grants and Programs        | 4,812                         | 117,000             | 81,303              | -                                 | 40,509                         |
| Community Development Block Grants         | -                             | 15,278              | 15,278              | -                                 | -                              |
| Council on Aging Grants                    | 33,946                        | 49,373              | 54,641              | -                                 | 28,678                         |
| Emergency Management Grants (COVID)        | -                             | 72,587              | 59,390              | -                                 | 13,197                         |
| Extended Polling Hours                     | 4,822                         | 3,700               | 7,771               | -                                 | 751                            |
| Highway Grants                             | (13,808)                      | 340,539             | 405,069             | -                                 | (78,338)                       |
| Library Grants                             | 201,589                       | 32,275              | 7,568               | (12,000)                          | 214,296                        |
| Other Grants and Programs                  | 41,246                        | 258,358             | 106,079             | -                                 | 193,525                        |
| Public Safety Grants                       | 2,733                         | 98,834              | 97,460              | -                                 | 4,107                          |
| Smart Growth Grant                         | 481,546                       | -                   | 18,630              | (40,930)                          | 421,986                        |
| <b>Schools:</b>                            |                               |                     |                     |                                   |                                |
| School Lunch Program                       | 96,826                        | 484,307             | 525,624             | -                                 | 55,509                         |
| School Lunch Commodities                   | -                             | 58,447              | 58,447              | -                                 | -                              |
| School Choice                              | 842,408                       | 961,286             | 1,298,743           | -                                 | 504,951                        |
| School Private Grants                      | 8,681                         | 160                 | 160                 | -                                 | 8,681                          |
| School Revolving Accounts                  | 119,974                       | 126,387             | 110,768             | -                                 | 135,593                        |
| State Special Education Reimbursement Fund | 636,557                       | 549,728             | 767,979             | -                                 | 418,306                        |
| <b>Other:</b>                              |                               |                     |                     |                                   |                                |
| Building Inspector assistance              | 6,549                         | 9,500               | 5,951               | -                                 | 10,098                         |
| Buttery Brook Park                         | 15,800                        | 11,018              | 22,338              | -                                 | 4,480                          |
| Center School Rentals                      | 11,196                        | -                   | -                   | -                                 | 11,196                         |
| Compost Bin Revolving                      | 3,950                         | 1,280               | -                   | -                                 | 5,230                          |
| Council on Aging Activities Revolving      | 53,301                        | 23,186              | 15,668              | -                                 | 60,819                         |
| Dog Refund                                 | 35,792                        | 23,915              | 415                 | (16,000)                          | 43,292                         |
| <b>Total Special Revenue Page 85</b>       | <b>\$ 2,666,217</b>           | <b>\$ 4,200,046</b> | <b>\$ 4,662,022</b> | <b>\$ (68,930)</b>                | <b>\$ 2,135,311</b>            |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | Fund Balances<br>July 1, 2019 | Revenues            | Expenditures        | Other Financing<br>Sources (Uses) | Fund Balances<br>June 30, 2020 |
|--|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Continued from Page 85</b>                  | \$ 2,666,217                  | \$ 4,200,046        | \$ 4,662,022        | \$ (68,930)                       | \$ 2,135,311                   |
| <b>Special Revenue (continued):</b>            |                               |                     |                     |                                   |                                |
| <b>Other (continued):</b>                      |                               |                     |                     |                                   |                                |
| Drug Forfeiture                                | 12,045                        | -                   | 1,856               | -                                 | 10,189                         |
| Farm Tax Revolving                             | 58,750                        | 6,500               | -                   | -                                 | 65,250                         |
| Gifts and Donations                            | 276,813                       | 271,010             | 158,688             | -                                 | 389,135                        |
| Insurance Proceeds                             | 4,302                         | 42,327              | 43,048              | -                                 | 3,581                          |
| Landfill                                       | 42,448                        | -                   | -                   | -                                 | 42,448                         |
| Massachusetts Interlocal Insurance Association | -                             | 3,500               | 3,500               | -                                 | -                              |
| Massachusetts School Building Administration   | 1,945                         | -                   | -                   | -                                 | 1,945                          |
| Media One Video Studio                         | 458,206                       | 162,126             | -                   | (182,653)                         | 437,679                        |
| Medical Sharps                                 | 2,500                         | 5,000               | -                   | -                                 | 7,500                          |
| Police Outside Detail                          | 8,060                         | 275,893             | 282,708             | -                                 | 1,245                          |
| Recreation Revolving                           | 47,767                        | 175,677             | 219,197             | -                                 | 4,247                          |
| Recycling Facility Grant                       | -                             | 5,000               | -                   | -                                 | 5,000                          |
| Sale of Real Estate                            | 130,938                       | -                   | -                   | -                                 | 130,938                        |
| Small Cities Loan Repayments                   | 3,678                         | 15,360              | -                   | -                                 | 19,038                         |
| Tax Title Revolving                            | 6,345                         | 29,906              | 31,222              | -                                 | 5,029                          |
| Transportation Infrastructure                  | 4,146                         | 2,775               | -                   | -                                 | 6,921                          |
| Veterans' District Assistance                  | 1,833                         | -                   | 1,833               | -                                 | -                              |
| Waterways Improvement Fund                     | 65,224                        | 4,764               | -                   | -                                 | 69,988                         |
| Wetlands Protection Fund                       | 29,022                        | 4,831               | -                   | (2,000)                           | 31,853                         |
| Conservation Fund                              | 85,884                        | 1,867               | 3,175               | 5,000                             | 89,576                         |
| Policeman's Line of Duty Fund                  | 668,939                       | 40,814              | 69,172              | 70,000                            | 710,581                        |
| Workers Compensation Insurance Fund            | 659,369                       | 16,403              | 238,138             | 150,000                           | 587,634                        |
| <b>Total Special Revenue</b>                   | <b>\$ 5,234,431</b>           | <b>\$ 5,263,799</b> | <b>\$ 5,714,559</b> | <b>\$ (28,583)</b>                | <b>\$ 4,755,088</b>            |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | Fund Balances<br>July 1, 2019 | Revenues        | Expenditures      | Other Financing<br>Sources (Uses) | Fund Balances<br>June 30, 2020 |
|---|-------------------------------|-----------------|-------------------|-----------------------------------|--------------------------------|
| <b>Capital Projects:</b>                      |                               |                 |                   |                                   |                                |
| Athletic Facilities                           | \$ 10,107                     | \$ -            | \$ -              | \$ -                              | \$ 10,107                      |
| Capital expenditure program                   | 14,347                        | -               | -                 | -                                 | 14,347                         |
| Capital contingency allowance                 | 10,000                        | -               | -                 | -                                 | 10,000                         |
| Council on Aging floor                        | 14,410                        | -               | -                 | -                                 | 14,410                         |
| Energy Consevation project                    | 14,711                        | -               | 3,227             | -                                 | 11,484                         |
| Highway Garage roof replacement               | 50,000                        | -               | -                 | -                                 | 50,000                         |
| Highway road improvements                     | 453,507                       | -               | 360,432           | -                                 | 93,075                         |
| Highway vehicles and equipment (2016)         | 1,467                         | -               | -                 | -                                 | 1,467                          |
| Highway vehicles and equipment (2020)         | -                             | -               | 179,249           | -                                 | (179,249)                      |
| Massachusetts School Building Administration: |                               |                 |                   |                                   |                                |
| Plains School feasibility study               | 23,690                        | -               | -                 | (23,690)                          | -                              |
| Plains School construction                    | (350,992)                     | -               | -                 | 63,992                            | (287,000)                      |
| Mosier Elementary School security upgrades    | -                             | -               | 26,404            | -                                 | (26,404)                       |
| Old Firehouse improvements                    | 4,926                         | -               | -                 | -                                 | 4,926                          |
| Other School projects (2009)                  | 17,641                        | -               | -                 | -                                 | 17,641                         |
| Parks equipment                               | -                             | -               | 27,503            | -                                 | (27,503)                       |
| Phone System                                  | 152,372                       | -               | 33,230            | -                                 | 119,142                        |
| Premium on Bonds                              | 5,190                         | 3,308           | -                 | -                                 | 8,498                          |
| School capital planning 2013                  | 125,154                       | -               | -                 | -                                 | 125,154                        |
| Sidewalk repairs                              | (490,000)                     | -               | -                 | 35,000                            | (455,000)                      |
| South Hadley High School security system      | 5,154                         | -               | -                 | -                                 | 5,154                          |
| Town Common traffic improvement               | 22,099                        | -               | -                 | -                                 | 22,099                         |
| Town Hall boilers                             | 13,867                        | -               | -                 | -                                 | 13,867                         |
| Town Hall elevator rebuild                    | (24,610)                      | -               | -                 | -                                 | (24,610)                       |
| Town Hall fire alarm upgrades                 | 39,838                        | -               | -                 | -                                 | 39,838                         |
| Town Hall masonary repairs                    | -                             | -               | 16,045            | -                                 | (16,045)                       |
| Town Hall roof replacement                    | 26,685                        | -               | -                 | -                                 | 26,685                         |
| Town Hall/Police parking lot improvement      | 20,370                        | -               | -                 | -                                 | 20,370                         |
| Underground storage tank                      | 43,518                        | -               | -                 | -                                 | 43,518                         |
| <b>Total Capital Projects</b>                 | <b>\$ 203,451</b>             | <b>\$ 3,308</b> | <b>\$ 646,090</b> | <b>\$ 75,302</b>                  | <b>\$ (364,029)</b>            |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Fund Balances<br>July 1, 2019 | Revenues            | Expenditures        | Other Financing<br>Sources (Uses) | Fund Balances<br>June 30, 2020 |
|---|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Perpetual Permanent Funds:</b>           |                               |                     |                     |                                   |                                |
| Cemetery Perpetual Care                     | \$ 400                        | \$ -                | \$ -                | \$ -                              | \$ 400                         |
| Elizabeth Gaylord Library Fund              | 5,000                         | -                   | -                   | -                                 | 5,000                          |
| Charles O'Gara Trust                        | 54,800                        | -                   | -                   | -                                 | 54,800                         |
| Janet Ely-Gaylord Library Book Fund         | 20,000                        | -                   | -                   | -                                 | 20,000                         |
| <b>Total Perpetual Permanent Funds</b>      | <b>80,200</b>                 | <b>-</b>            | <b>-</b>            | <b>-</b>                          | <b>80,200</b>                  |
| <b>Permanent Funds:</b>                     |                               |                     |                     |                                   |                                |
| Cemetery Perpetual Care                     | 1,626                         | 42                  | -                   | -                                 | 1,668                          |
| Elizabeth Gaylord Library Fund              | 7,255                         | 249                 | -                   | -                                 | 7,504                          |
| Charles O'Gara Trust                        | 68,418                        | 2,514               | -                   | -                                 | 70,932                         |
| Janet Ely-Gaylord Library Book Fund         | 1,985                         | 448                 | -                   | -                                 | 2,433                          |
| <b>Total Permanent Funds</b>                | <b>79,284</b>                 | <b>3,253</b>        | <b>-</b>            | <b>-</b>                          | <b>82,537</b>                  |
| <b>Total - Non-Major Governmental Funds</b> | <b>\$ 5,597,366</b>           | <b>\$ 5,270,360</b> | <b>\$ 6,360,649</b> | <b>\$ 46,719</b>                  | <b>\$ 4,553,796</b>            |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY  
AND ROLLBACK TAXES  
JULY 1, 2019 TO JUNE 30, 2020**

|  | <b>Uncollected<br/>Taxes<br/>July 1, 2019</b> | <b>Commitments</b>   | <b>Abatements<br/>and<br/>Adjustments</b> | <b>Collections Net<br/>of Refunds and<br/>Overpayments</b> | <b>Uncollected<br/>Taxes<br/>June 30, 2020</b> | <b>Uncollected<br/>Taxes<br/>Per Detail<br/>June 30, 2020</b> |
|--|---|----------------------|---|--|--|---|
| <b>Real Estate Taxes:</b>  |   |                      |   |  |  |   |
| Levy of 2020   | \$ -  | \$ 28,593,687        | \$ 147,541                                | \$ 28,001,218  | \$ 444,928                                     | \$ 444,928  |
| Levy of 2019   | 281,300                                       | -                    | 4   | 212,770  | 68,526   | 68,526  |
| Levy of 2018   | 56,062  | -                    | -   | 32,993   | 23,069   | 23,069  |
| Levy of 2017   | 10,915  | -                    | -   | 6,279  | 4,636  | 4,636   |
| Levy of 2016   | 1,837   | -                    | -   | -  | 1,837  | 1,837   |
| Prior Years  | 39,019  | -                    | -   | -  | 39,019   | 16,228  |
|  | <u>389,133</u>                                | <u>28,593,687</u>    | <u>147,545</u>                            | <u>28,253,260</u>  | <u>582,015</u>                                 | <u>559,224</u>  |
| <b>Personal Property Taxes:</b>                                    |   |                      |   |  |  |   |
| Levy of 2020   | -   | 581,708              | 409                                       | 575,313  | 5,986  | 5,986   |
| Levy of 2019   | 6,999   | -                    | -   | 3,787  | 3,212  | 3,212   |
| Levy of 2018   | 3,067   | -                    | -   | 365  | 2,702  | 2,702   |
| Levy of 2017   | 2,669   | -                    | -   | (41)   | 2,710  | 2,710   |
| Levy of 2016   | 3,619   | -                    | -   | -  | 3,619  | 3,613   |
| Prior Years  | 34,449  | -                    | -   | -  | 34,449   | 34,449  |
|  | <u>50,803</u>                                 | <u>581,708</u>       | <u>409</u>                                | <u>579,424</u>   | <u>52,678</u>                                  | <u>52,672</u>   |
| <b>Rollback Taxes</b>  | <u>22,507</u>                                 | <u>1,492</u>         | <u>-</u>                                  | <u>1,492</u>   | <u>22,507</u>                                  | <u>22,507</u>   |
| <b>Total Real Estate, Personal<br/>Property and Rollback Taxes</b> | <u>\$ 462,443</u>                             | <u>\$ 29,176,887</u> | <u>\$ 147,954</u>                         | <u>\$ 28,834,176</u>                                       | <u>\$ 657,200</u>                              | <u>\$ 634,403</u>   |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES  
JULY 1, 2019 TO JUNE 30, 2020**

|  | <b>Uncollected<br/>Taxes<br/>July 1, 2019</b> | <b>Commitments</b>  | <b>Abatements<br/>and<br/>Adjustments</b> | <b>Collections Net<br/>of Refunds and<br/>Overpayments</b> | <b>Uncollected<br/>Taxes<br/>June 30, 2020</b> | <b>Uncollected<br/>Taxes<br/>Per Detail<br/>June 30, 2020</b> |
|--|---|---------------------|---|--|--|---|
| <b>Motor Vehicle Excise Taxes:</b>                   |   |                     |   |  |  |   |
| Levy of 2020   | \$ -  | \$ 1,995,824        | \$ 22,359                                 | \$ 1,754,620   | \$ 218,845                                     | \$ 218,845  |
| Levy of 2019   | 116,630                                       | 367,309             | 27,697                                    | 410,583  | 45,659   | 45,659  |
| Levy of 2018   | 45,316  | 146                 | 1,167                                     | 23,186   | 21,109   | 21,109  |
| Levy of 2017   | 17,230  | -                   | 1,269                                     | 3,613  | 12,348   | 12,348  |
| Levy of 2016   | 11,321  | -                   | 10  | 1,783  | 9,528  | 9,528   |
| Prior Years  | 102,121                                       | 78                  | 132                                       | 3,524  | 98,543   | 98,750  |
|  | <u>292,618</u>                                | <u>2,363,357</u>    | <u>52,634</u>                             | <u>2,197,309</u>   | <u>406,032</u>                                 | <u>406,239</u>  |
| <b>Boat Excise Taxes:</b>                            |   |                     |   |  |  |   |
| Levy of 2020   | -   | 11,318              | 523                                       | 8,437  | 2,358  | 2,358   |
| Levy of 2019   | 1,980   | -                   | 166                                       | 306  | 1,508  | 1,508   |
| Levy of 2018   | 564   | -                   | -   | -  | 564  | 564   |
| Levy of 2017   | 298   | -                   | -   | -  | 298  | 298   |
| Levy of 2016   | 534   | -                   | -   | -  | 534  | 534   |
| Prior Years  | 26,248  | -                   | -   | 29   | 26,219   | 26,178  |
|  | <u>29,624</u>                                 | <u>11,318</u>       | <u>689</u>                                | <u>8,772</u>   | <u>31,481</u>                                  | <u>31,440</u>   |
| <b>Total Motor Vehicle and<br/>Boat Excise Taxes</b> | <u>\$ 322,242</u>                             | <u>\$ 2,374,675</u> | <u>\$ 53,323</u>                          | <u>\$ 2,206,081</u>  | <u>\$ 437,513</u>                              | <u>\$ 437,679</u>   |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2019 TO JUNE 30, 2020**

|                  | <b>Uncollected<br/>Accounts<br/>July 1, 2019</b> | <b>Commitments</b> | <b>Abatements<br/>and<br/>Adjustments</b> | <b>Collections Net<br/>of Refunds and<br/>Overpayments</b> | <b>Uncollected<br/>Accounts<br/>June 30, 2020</b> | <b>Uncollected<br/>Accounts<br/>Per Detail<br/>June 30, 2020</b> |
|------------------|--|--------------------|---|--|---|--|
| <b>Tax Liens</b> | \$ 473,738                                       | \$ -               | \$ (19)                                   | \$ 183,929   | \$ 289,828  | \$ 289,828   |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
 SCHEDULE OF DEPARTMENTAL RECEIVABLES  
 JULY 1, 2019 TO JUNE 30, 2020**

|                                       | Uncollected<br>Accounts<br>July 1, 2019 | Commitments     | Abatements<br>and<br>Adjustments | Collections Net<br>of Refunds and<br>Overpayments | Uncollected<br>Accounts<br>June 30, 2020 | Uncollected<br>Accounts<br>Per Detail<br>June 30, 2020 |
|---------------------------------------|---|-----------------|----------------------------------|---|--|--|
| <b>General Fund:</b>                  |   |                 |                                  |   |  |  |
| Highway                               | \$ -                                    | \$ 3,131        | \$ -                             | \$ 3,131  | \$ -                                     | \$ -   |
| Parking                               | 16,025                                  | 1,110           | -                                | 1,085   | 16,050                                   | 16,050   |
| <b>Total Departmental Receivables</b> | <b>\$ 16,025</b>                        | <b>\$ 4,241</b> | <b>\$ -</b>                      | <b>\$ 4,216</b>                                   | <b>\$ 16,050</b>                         | <b>\$ 16,050</b>                                       |

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**

**INDEPENDENT AUDITOR'S REPORTS PURSUANT  
TO GOVERNMENTAL AUDITING STANDARDS  
AND UNIFORM GUIDANCE**

**FOR THE YEAR ENDED JUNE 30, 2020**

**TOWN OF SOUTH HADLEY, MASSACHUSETTS**

**Independent Auditors' Reports Pursuant  
To Governmental Auditing Standards  
And Uniform Guidance**

**For the Year Ended June 30, 2020**

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

To the Honorable Selectboard  
Town of South Hadley, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Hadley, Massachusetts, as of and for the year ended June 30, 2020, (except for the South Hadley Electric Light Department, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town of South Hadley, Massachusetts' basic financial statements, and have issued our report thereon dated May 14, 2021. Our report includes a reference to other auditors who audited the financial statements of the South Hadley Electric Light Department, as described in our report on the Town of South Hadley, Massachusetts' financial statements. This report does not include the results of other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of South Hadley, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of South Hadley, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of South Hadley, 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 a 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. 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 South Hadley, 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.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

May 14, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Selectboard  
Town of South Hadley, Massachusetts

**Report on Compliance for Each Major Federal Program**

We have audited the Town of South Hadley, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of South Hadley, Massachusetts' major federal programs for the year ended June 30, 2020. The Town of South Hadley, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of South Hadley, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of South Hadley, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of South Hadley, Massachusetts' compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of South Hadley, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## **Report on Internal Control Over Compliance**

Management of the Town of South Hadley, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of South Hadley, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of South Hadley, Massachusetts' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of South Hadley, Massachusetts, as of and for the year ended June 30, 2020, (except for the South Hadley Electric Light Department, which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town of South Hadley, Massachusetts' basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the South Hadley Electric Light Department, as described in our report of the Town of South Hadley, Massachusetts' financial statements. We issued our report thereon dated May 14, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

May 14, 2021

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|---|---------------------------------------|----------------------------------|
| <b>U. S. Department of Agriculture</b>                            |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Department of Elementary and Secondary Education:                 |                           |   |                                       |                                  |
| Child Nutrition Cluster:  |                           |   |                                       |                                  |
| School Breakfast Program  | 10.553                    | 08-278  | \$ -                                  | \$ 27,654                        |
| School Breakfast Program - COVID-19                               | 10.553                    | 08-278  | -                                     | 12,940                           |
| National School Lunch Program                                     | 10.555                    | 08-278  | -                                     | 197,958                          |
| National School Lunch Program - COVID-19                          | 10.555                    | 08-278  | -                                     | 20,797                           |
| Non-Cash Financial Assistance - Commodities                       | 10.555                    | 08-278  | -                                     | 58,447                           |
| Total Child Nutrition Cluster                                     |                           |   | -                                     | 317,796                          |
| <b>Total U. S. Department of Agriculture</b>                      |                           |   | -                                     | 317,796                          |
| <b>U. S. Department of Housing and Urban Development</b>          |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Department of Housing and Community Development:                  |                           |   |                                       |                                  |
| Community Development Block Grant - CDF-G-2019                    | 14.228                    | CDF-G-2019-00869                                | -                                     | 15,278                           |
| <b>Total U. S. Department of Housing and Urban Development</b>    |                           |   | -                                     | 15,278                           |
| <b>U. S. Department of the Interior</b>                           |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Executive Office of Energy and Environmental Affairs:             |                           |   |                                       |                                  |
| Land and Water Conservation Fund - River to Range Trail           | 15.916                    | 25-00526/P17AP00473                             | -                                     | 15,766                           |
| <b>Total U. S. Department of the Interior</b>                     |                           |   | -                                     | 15,766                           |
| <b>U. S. Department of Transportation</b>                         |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Department of Conservation and Recreation:                        |                           |   |                                       |                                  |
| Recreational Trails Program - River to Range Trail                | 20.219                    | P18-3227-G42                                    | -                                     | 17,421                           |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Executive Office of Public Safety and Homeland Security:          |                           |   |                                       |                                  |
| State and Community Highway Safety:                               |                           |   |                                       |                                  |
| Traffic Enforcement   | 20.600                    |   | -                                     | 3,426                            |
| Total State and Community Highway Safety                          |                           |   | -                                     | 3,426                            |
| <b>Total U. S. Department of Transportation</b>                   |                           |   | -                                     | 20,847                           |
| <b>U. S. Department of Treasury</b>                               |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Department of Revenue:  |                           |   |                                       |                                  |
| Coronavirus Relief Fund   | 21.019                    |   | -                                     | 53,466                           |
| <b>Total U. S. Department of Treasury</b>                         |                           |   | -                                     | 53,466                           |
| <b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 3</b>                |                           |   | \$ -                                  | \$ 423,153                       |

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|---|---------------------------------------|----------------------------------|
| <b>Institute for Museum and Library Services</b>                  |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Board of Library Commissioners:                                   |                           |   |                                       |                                  |
| Library Services and Technology Act:                              |                           |   |                                       |                                  |
| Space Camp  | 45.310                    |   | \$ -                                  | \$ 598                           |
| Civic Hub   | 45.310                    |   | -                                     | 2,275                            |
| <b>Total Institute for Museum and Library Services</b>            |                           |   | -                                     | 2,873                            |
| <b>U. S. Department of Education</b>                              |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Department of Elementary and Secondary Education:                 |                           |   |                                       |                                  |
| Title I, Part A:  |                           |   |                                       |                                  |
| Title I - 2019  | 84.010                    | 305-214983-2019-0278                            | -                                     | 36,037                           |
| Title I - 2020  | 84.010                    | 305-291133-2020-0278                            | -                                     | 164,063                          |
| Total Title I, Part A Cluster                                     |                           |   | -                                     | 200,100                          |
| Special Education Cluster:  |                           |   |                                       |                                  |
| Special Education 94-142 Allocation - 2019                        | 84.027                    | 240-209269-2019-0278                            | -                                     | 85,259                           |
| Special Education 94-142 Allocation - 2020                        | 84.027                    | 240-321592-2020-0278                            | -                                     | 587,021                          |
| Special Education Early Childhood Allocation - 2020               | 84.173                    | 262-321593-2020-0278                            | -                                     | 27,031                           |
| Total Special Education Cluster                                   |                           |   | -                                     | 699,311                          |
| Improving Teacher Quality State Grants:                           |                           |   |                                       |                                  |
| Teacher Quality - 2019  | 84.367                    | 140-217077-2019-0278                            | -                                     | 9,158                            |
| Teacher Quality - 2020  | 84.367                    | 140-291134-2020-0278                            | -                                     | 28,928                           |
| Total Improving Teacher Quality State Grants                      |                           |   | -                                     | 38,086                           |
| Student Support and Academic Enrichment Program:                  |                           |   |                                       |                                  |
| Student Support and Academic Enrichment - 2019                    | 84.424                    | 309-217082-2019-0278                            | -                                     | 5,466                            |
| Student Support and Academic Enrichment - 2020                    | 84.424                    | 309-291135-2020-0278                            | -                                     | 9,010                            |
| Total Student Support and Academic Enrichment Program             |                           |   | -                                     | 14,476                           |
| <b>Total U. S. Department of Education</b>                        |                           |   | -                                     | 951,973                          |
| <b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 3</b>                |                           |   | \$ -                                  | \$ 954,846                       |

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|---|---------------------------------------|----------------------------------|
| <b>U. S. Department of Health and Human Services</b>              |                           |   |                                       |                                  |
| Direct Program:   |                           |   |                                       |                                  |
| Drug-Free Communities Support Program Grants:                     |                           |   |                                       |                                  |
| Drug Free Communities Grant No. 2H79SP081760-06                   | 93.276                    |   | \$ -                                  | \$ 18,077                        |
| Total Drug-Free Communities Support Program Grants                |                           |   | -                                     | 18,077                           |
| Passed Through WestMass Elder Care, Inc.:                         |                           |   |                                       |                                  |
| Aging Cluster:  |                           |   |                                       |                                  |
| Title III-C-Nutrition Program for the Elderly                     | 93.045                    |   | -                                     | 8,089                            |
| Total Aging Cluster   |                           |   | -                                     | 8,089                            |
| Passed Through City of Northampton, Massachusetts:                |                           |   |                                       |                                  |
| Opioid Abuse Prevention   | 93.276                    |   | -                                     | 2,578                            |
| <b>Total U. S. Department of Health and Human Services</b>        |                           |   | -                                     | <b>28,744</b>                    |
| <b>U. S. Department of Homeland Security</b>                      |                           |   |                                       |                                  |
| Passed Through Commonwealth of Massachusetts                      |                           |   |                                       |                                  |
| Emergency Management Agency:                                      |                           |   |                                       |                                  |
| Emergency Management Performance Grants                           | 97.042                    |   | -                                     | 4,523                            |
| Citizen Corps   | 97.067                    |   | -                                     | 249                              |
| <b>Total U. S. Department of Homeland Security</b>                |                           |   | -                                     | <b>4,772</b>                     |
| <b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 3 OF 3</b>                |                           |   | -                                     | 33,516                           |
| <b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 2 OF 3</b>                |                           |   | -                                     | 954,846                          |
| <b>TOTAL FEDERAL AWARDS EXPENDED - PAGE 1 OF 3</b>                |                           |   | -                                     | 423,153                          |
| <b>TOTAL FEDERAL AWARDS EXPENDED</b>                              |                           |   | <b>\$ -</b>                           | <b>\$ 1,411,515</b>              |

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of South Hadley, Massachusetts, under programs for the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of South Hadley, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of South Hadley, Massachusetts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – INDIRECT COSTS**

The Town of South Hadley, Massachusetts did not use the de minimus cost rate. The Town of South Hadley, Massachusetts, has not charged any indirect costs to any of its federal award programs.

**NOTE D – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**TOWN OF SOUTH HADLEY, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes     X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_ Yes     X  No

Noncompliance material to financial statements noted? \_\_\_ Yes     X  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_ Yes     X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_ Yes     X  None Reported

Type of Auditor’s Report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_ Yes     X  No

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>                 |
|-----------------------|---|
| 84.027, 84.173        | U. S. Department of Education – Special Education Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_ Yes     X  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV – PRIOR YEAR FINDINGS**

None reported.