

**TOWN OF GREENFIELD, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2016

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**Additional Offices:**

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

## INDEPENDENT AUDITORS' REPORT

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

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of

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

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

## **Opinions**

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

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of OPEB Funding Progress, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

*Melanson Heath*

December 11, 2017

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

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

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

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

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

The statement of net position presents information on all assets and liabilities, and deferred outflows/inflows with the difference 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 Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

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

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$24,453,708, (i.e., net position), a change of \$3,595,605 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$3,766,042, a change of \$(7,219,479) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,854,063, a change of \$(1,167,678) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$35,120,261, a change of \$(3,646,046) in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 18,880,132	\$ 23,230,910	\$ 4,023,120	\$ 3,497,972	\$ 22,903,252	\$ 26,728,882
Capital assets	107,565,252	94,566,265	15,193,591	14,832,524	122,758,843	109,398,789
Deferred outflows	6,168,679	270,776	290,366	22,291	6,459,045	293,067
Total assets and deferred outflows	132,614,063	118,067,951	19,507,077	18,352,787	152,121,140	136,420,738
Long-term liabilities outstanding	103,889,448	96,402,467	7,256,794	7,500,906	111,146,242	103,903,373
Other liabilities	12,459,686	9,627,222	2,661,911	919,830	15,121,597	10,547,052
Deferred inflows	1,399,593	1,112,210	-	-	1,399,593	1,112,210
Total liabilities and deferred inflows	117,748,727	107,141,899	9,918,705	8,420,736	127,667,432	115,562,635
Net position:						
Net investment in capital assets	68,929,237	60,989,995	8,149,890	9,053,166	77,079,127	70,043,161
Restricted	4,738,096	4,159,789	-	-	4,738,096	4,159,789
Unrestricted	(58,801,997)	(54,223,732)	1,438,482	878,885	(57,363,515)	(53,344,847)
Total net position	\$ 14,865,336	\$ 10,926,052	\$ 9,588,372	\$ 9,932,051	\$ 24,453,708	\$ 20,858,103

## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 4,841,616	\$ 4,694,252	\$ 3,888,632	\$ 3,854,559	\$ 8,730,248	\$ 8,548,811
Operating grants and contributions	25,549,735	24,879,708	-	-	25,549,735	24,879,708
Capital grants and contributions	9,560,706	14,407,893	211,119	130,494	9,771,825	14,538,387
General revenues:						
Property taxes	29,528,645	29,265,066	-	-	29,528,645	29,265,066
Excises	1,676,548	1,486,792	-	-	1,676,548	1,486,792
Penalties, interest and other taxes	940,335	1,079,563	-	-	940,335	1,079,563
Grants and contributions not restricted to specific programs	2,926,707	2,825,007	-	-	2,926,707	2,825,007
Investment income	52,151	135,011	15,090	1,375	67,241	136,386
Miscellaneous	705,925	363,095	-	-	705,925	363,095
Total revenues	<u>75,782,368</u>	<u>79,136,387</u>	<u>4,114,841</u>	<u>3,986,428</u>	<u>79,897,209</u>	<u>83,122,815</u>
Expenses:						
General government	5,515,353	5,168,456	-	-	5,515,353	5,168,456
Public safety	7,733,326	6,999,980	-	-	7,733,326	6,999,980
Education	28,923,148	27,045,087	-	-	28,923,148	27,045,087
Public works	4,280,401	4,863,907	-	-	4,280,401	4,863,907
Health and human services	3,812,609	3,976,084	-	-	3,812,609	3,976,084
Culture and recreation	1,224,079	1,252,232	-	-	1,224,079	1,252,232
Employee benefits	14,676,932	13,081,816	-	-	14,676,932	13,081,816
Interest	1,427,232	1,394,390	-	-	1,427,232	1,394,390
Intergovernmental	3,930,390	3,905,731	-	-	3,930,390	3,905,731
Water operations	-	-	2,118,160	1,712,565	2,118,160	1,712,565
Sewer operations	-	-	2,359,974	2,347,957	2,359,974	2,347,957
Total expenses	<u>71,523,470</u>	<u>67,687,683</u>	<u>4,478,134</u>	<u>4,060,522</u>	<u>76,001,604</u>	<u>71,748,205</u>
Change in net position, before transfers	4,258,898	11,448,704	(363,293)	(74,094)	3,895,605	11,374,610
Transfers, net	<u>(319,614)</u>	<u>(410,542)</u>	<u>19,614</u>	<u>-</u>	<u>(300,000)</u>	<u>(410,542)</u>
Change in net position, after transfers	3,939,284	11,038,162	(343,679)	(74,094)	3,595,605	10,964,068
Net position - beginning of year	<u>10,926,052</u>	<u>(112,110)</u>	<u>9,932,051</u>	<u>10,006,145</u>	<u>20,858,103</u>	<u>9,894,035</u>
Net position - end of year	<u>\$ 14,865,336</u>	<u>\$ 10,926,052</u>	<u>\$ 9,588,372</u>	<u>\$ 9,932,051</u>	<u>\$ 24,453,708</u>	<u>\$ 20,858,103</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$24,453,708, a change of \$3,595,605 from the prior year.

The largest portion of net position, \$77,079,127, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are

not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$4,738,096, represents resources that are subject to external restrictions on how they may be used. The remaining balances in unrestricted net position are a deficit of \$(58,801,997) (governmental) and \$1,438,482 (business-type).

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$3,939,284. Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 254,051
State and local revenues over budget	1,394,987
Budgetary appropriations unspent by departments	846,298
Use of free cash (fund balance) as a funding source	(2,771,288)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	29,128
Other uses raised in the current year	112,324
Change in Stabilization funds	(281,035)
Major fund - 2015 capital articles expenditures and transfers out in excess of revenues and transfers in	(1,073,116)
Major fund - High school construction expenditures in excess of revenues	(4,020,803)
Special revenue, trust fund and capital project fund expenditures and transfers out in excess of revenues and transfers in	(1,710,025)
Capital asset purchases	16,613,137
Depreciation expense in excess of principal debt service	(676,692)
Increase in net OPEB obligation liability	(3,083,550)
Increase in net pension liability, net of deferrals	(792,477)
Other timing differences	(901,655)
Total	<u>\$ 3,939,284</u>

**Business-Type Activities.** Business-type activities for the year resulted in a change in net position of \$(343,679). Key elements of this change are as follows:

Water enterprise	\$ (311,787)
Sewer enterprise	<u>(31,892)</u>
Total	<u>\$ (343,679)</u>

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

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,766,042, a change of \$(7,219,479) in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>Governmental Funds</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 254,051
State and local revenues over budget	1,394,987
Budgetary appropriations unspent by departments	846,298
Use of free cash (fund balance) as a funding source	(2,771,288)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	29,128
Other uses raised in the current year	112,324
Change in Stabilization funds	(281,035)
Major fund - 2015 capital articles expenditures and transfers out in excess of revenues and transfers in	(1,073,116)
Major fund - High school construction expenditures in excess of revenues	(4,020,803)
Special revenue, trust fund and capital project fund expenditures and transfers out in excess of revenues and transfers in	<u>(1,710,025)</u>
Total	<u>\$ (7,219,479)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,854,063 while total fund balance was \$5,785,490. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Total</u> <u>2016 General Fund</u> <u>Expenditures</u>
Unassigned fund balance <sup>1</sup>	\$ 4,854,063	\$ 6,021,741	\$ (1,167,678)	9.2%
Total fund balance	5,785,490	6,201,025	(415,535)	11.0%

<sup>1</sup> Includes Stabilization funds.

The fund balance of the general fund changed by \$(415,535) during the current fiscal year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>General Fund</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 254,051
State and local revenues over budget	1,394,987
Budgetary appropriations unspent by departments	846,298
Use of free cash (fund balance) as a funding source	(2,771,288)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	29,128
Other uses raised in the current year	112,324
Change in Stabilization funds	<u>(281,035)</u>
Total	<u>\$ (415,535)</u>

Included in the total general fund balance are the Town's stabilization funds with the following balances:

	<u>06/30/16</u>	<u>06/30/15</u>	<u>Change</u>
Building maintenance stabilization fund	\$ 281,228	\$ 168,117	\$ 113,111
Capital stabilization fund	406,285	264,047	142,238
Contractual agreements stabilization fund	35,502	493,952	(458,450)
General stabilization fund	<u>1,915,412</u>	<u>1,993,346</u>	<u>(77,934)</u>
Total stabilization funds	<u>\$ 2,638,427</u>	<u>\$ 2,919,462</u>	<u>\$ (281,035)</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,438,482, a change of \$559,597 in comparison with the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

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

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$3,436,188. Major reasons for these amendments include:

- \$ 2,310,000 transfer to stabilization funds.
- \$ 626,800 increase in negotiated salaries account budget.
- \$ 300,000 transfer to a OPEB trust fund.
- \$ 138,000 transfer to a special revenue fund.
- \$ 38,100 increase in the Public Safety department budget.
- \$ 23,288 transfer to a capital project fund.

Of this increase, \$2,771,288 was funded through the use of free cash and \$664,900 was transferred in from other funds.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$122,758,843 (net of accumulated depreciation), a change of \$13,360,054 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

Depreciation expense – governmental activities	\$ (3,409,837)
Depreciation expense – water fund	(293,629)
Depreciation expense – sewer fund	(430,351)
High school construction project costs	10,122,711
Green River school construction project costs	1,276,166
Upgrades and improvements to Town and School buildings	1,198,361
Purchase of public safety vehicles and equipment	674,392
Green River dog park project costs	523,078
Improvements to Town sidewalks and guardrails	459,346
Wireless network project costs	368,118
Purchase of school department vehicles and equipment	274,699
Parking lot improvements and equipment	249,998
Federal Street school construction project costs	187,340
Purchase of public works vehicles and equipment	179,159
Parking garage project costs	165,918
Senior Community center project costs	157,558
Installation of LED streetlights	145,315
Energy park play structure project costs	71,944
Purchase of land in Leyden	50,000
Water main and pump station improvements	854,603
Purchase of water department vehicles and equipment	100,748
Sewer line improvements	79,696
Other capital asset additions	559,033
Capital asset disposals	(204,312)
Total	<u>\$ 13,360,054</u>

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$35,120,261, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Greenfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Elizabeth Braccia,  
Finance Director / Town Accountant  
Town of Greenfield  
14 Court Square  
Greenfield, MA 01301

TOWN OF GREENFIELD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 11,819,848	\$ 2,301,973	\$ 14,121,821
Investments	2,610,725	-	2,610,725
Receivables, net of allowance for uncollectibles:			
Property taxes	432,508	-	432,508
Excises	177,366	-	177,366
User fees	-	1,666,108	1,666,108
Departmental and other	847,466	-	847,466
Intergovernmental	1,051,283	-	1,051,283
Loans	1,383,798	-	1,383,798
Noncurrent:			
Tax liens, net of allowance for uncollectible	557,138	55,039	612,177
Land and construction in progress	77,361,156	50,000	77,411,156
Capital assets, net of accumulated depreciation	30,204,096	15,143,591	45,347,687
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>6,168,679</u>	<u>290,366</u>	<u>6,459,045</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OR RESOURCES</b>	<b>132,614,063</b>	<b>19,507,077</b>	<b>152,121,140</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,720,334	321,171	2,041,505
Accounts payable	1,391,250	133,823	1,525,073
Accrued payroll and withholdings	1,777,139	63,879	1,841,018
Accrued interest payable	397,707	33,038	430,745
Notes payable	7,132,300	2,110,000	9,242,300
Other current liabilities	40,956	-	40,956
Current portion of long-term liabilities:			
Bonds payable	2,574,146	897,600	3,471,746
Capital lease	45,267	-	45,267
Landfill closure	22,050	-	22,050
Noncurrent:			
Bonds payable, net of current portion	28,815,815	2,832,700	31,648,515
Capital lease, net of current portion	483,182	-	483,182
Landfill closure, net of current portion	198,450	-	198,450
Accrued compensated absences	1,534,960	158,503	1,693,463
Net OPEB obligation	31,341,408	1,591,560	32,932,968
Net pension liability	38,874,170	1,776,431	40,650,601
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,399,593</u>	<u>-</u>	<u>1,399,593</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>117,748,727</b>	<b>9,918,705</b>	<b>127,667,432</b>
<b>NET POSITION</b>			
Net investment in capital assets	68,929,237	8,149,890	77,079,127
Restricted for:			
Grants and other statutory restrictions	4,253,084	-	4,253,084
Permanent funds:			
Nonexpendable	49,496	-	49,496
Expendable	435,516	-	435,516
Unrestricted	<u>(58,801,997)</u>	<u>1,438,482</u>	<u>(57,363,515)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>14,865,336</u></b>	<b>\$ <u>9,588,372</u></b>	<b>\$ <u>24,453,708</u></b>

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

TOWN OF GREENFIELD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 5,515,353	\$ 1,239,054	\$ 1,569,402	\$ 253,728	\$ (2,453,169)	\$ -	\$ (2,453,169)
Public safety	7,733,326	1,923,568	223,398	-	(5,586,360)	-	(5,586,360)
Education	28,923,148	422,603	20,505,452	7,932,523	(62,570)	-	(62,570)
Public works	4,280,401	854,321	189,634	878,534	(2,357,912)	-	(2,357,912)
Health and human services	3,812,609	132,994	2,872,122	-	(807,493)	-	(807,493)
Culture and recreation	1,224,079	269,076	189,727	495,921	(269,355)	-	(269,355)
Employee benefits	14,676,932	-	-	-	(14,676,932)	-	(14,676,932)
Interest	1,427,232	-	-	-	(1,427,232)	-	(1,427,232)
Intergovernmental	3,930,390	-	-	-	(3,930,390)	-	(3,930,390)
Total Governmental Activities	71,523,470	4,841,616	25,549,735	9,560,706	(31,571,413)	-	(31,571,413)
<b>Business-Type Activities:</b>							
Water operations	2,118,160	1,691,402	-	79,046	-	(347,712)	(347,712)
Sewer operations	2,359,974	2,197,230	-	132,073	-	(30,671)	(30,671)
Total Business-Type Activities	4,478,134	3,888,632	-	211,119	-	(378,383)	(378,383)
Total All Activities	\$ <u>76,001,604</u>	\$ <u>8,730,248</u>	\$ <u>25,549,735</u>	\$ <u>9,771,825</u>	(31,571,413)	(378,383)	(31,949,796)
<b>General Revenues:</b>							
Property taxes					29,528,645	-	29,528,645
Excises					1,676,548	-	1,676,548
Penalties, interest and other taxes					940,335	-	940,335
Grants and contributions not restricted to specific programs					2,926,707	-	2,926,707
Investment income					52,151	15,090	67,241
Miscellaneous					705,925	-	705,925
Transfers, net					(319,614)	19,614	(300,000)
Total general revenues and transfers					35,510,697	34,704	35,545,401
Change in Net Position					3,939,284	(343,679)	3,595,605
<b>Net Position:</b>							
Beginning of year					10,926,052	9,932,051	20,858,103
End of year					\$ <u>14,865,336</u>	\$ <u>9,588,372</u>	\$ <u>24,453,708</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>2015 Capital Articles</u>	<u>High School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 4,709,039	\$ 348,507	\$ -	\$ 6,762,302	\$ 11,819,848
Investments	2,205,284	-	-	405,441	2,610,725
Receivables:					
Property taxes	454,260	-	-	-	454,260
Excises	292,118	-	-	-	292,118
Departmental and other	623,438	-	6,000	335,175	964,613
Intergovernmental	-	-	-	1,051,283	1,051,283
Loans	-	-	-	1,383,798	1,383,798
Tax liens	618,748	-	-	-	618,748
Due from other funds	1,517,809	-	-	-	1,517,809
<b>TOTAL ASSETS</b>	<b>\$ 10,420,696</b>	<b>\$ 348,507</b>	<b>\$ 6,000</b>	<b>\$ 9,937,999</b>	<b>\$ 20,713,202</b>
<b>LIABILITIES</b>					
Warrants payable	\$ 1,207,530	\$ -	\$ -	\$ 512,804	\$ 1,720,334
Accounts payable	-	-	1,052,757	338,493	1,391,250
Accrued payroll and withholdings	1,472,904	-	-	304,235	1,777,139
Due to other funds	-	-	1,517,809	-	1,517,809
Notes payable	-	1,819,000	-	5,313,300	7,132,300
Other current liabilities	36,794	-	-	4,162	40,956
<b>TOTAL LIABILITIES</b>	<b>2,717,228</b>	<b>1,819,000</b>	<b>2,570,566</b>	<b>6,472,994</b>	<b>13,579,788</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,917,978</b>	<b>-</b>	<b>-</b>	<b>1,449,394</b>	<b>3,367,372</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	49,496	49,496
Restricted	-	-	-	6,274,709	6,274,709
Committed	723,015	-	-	-	723,015
Assigned	208,412	-	-	-	208,412
Unassigned	4,854,063	(1,470,493)	(2,564,566)	(4,308,594)	(3,489,590)
<b>TOTAL FUND BALANCES</b>	<b>5,785,490</b>	<b>(1,470,493)</b>	<b>(2,564,566)</b>	<b>2,015,611</b>	<b>3,766,042</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,420,696</b>	<b>\$ 348,507</b>	<b>\$ 6,000</b>	<b>\$ 9,937,999</b>	<b>\$ 20,713,202</b>

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

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

JUNE 30, 2016

<b>Total Governmental Fund Balances</b>	\$	3,766,042
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li> </ul>	107,565,252	
<ul style="list-style-type: none"> <li>• Certain changes in the net position liability, which are deferred to future reporting periods, are not reported in the governmental funds.</li> </ul>	6,034,679	
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectibles) and are not deferred until collection.</li> </ul>	1,652,518	
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	(397,707)	
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, capital leases, landfill closure, accrued compensated absences, net OPEB obligation and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>	(103,889,448)	
<ul style="list-style-type: none"> <li>• Deferred loss on early retirement of debt, resulting from an advance refunding, is not recorded on governmental funds.</li> </ul>	134,000	
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>14,865,336</u></u></b>

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

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

	<u>General</u>	2015 Capital <u>Articles</u>	High School <u>Construction</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 29,690,605	\$ -	\$ -	\$ -	\$ 29,690,605
Excises	1,633,986	-	-	-	1,633,986
Penalties, interest and other taxes	940,335	-	-	-	940,335
Charges for services	1,387,668	-	-	3,115,989	4,503,657
Intergovernmental	16,879,703	45,000	6,101,908	12,379,103	35,405,714
Licenses and permits	121,127	-	-	28,646	149,773
Fines and forfeitures	241,560	-	-	25,039	266,599
Investment income	40,100	-	-	12,051	52,151
Miscellaneous	527,454	-	-	178,471	705,925
Total Revenues	<u>51,462,538</u>	<u>45,000</u>	<u>6,101,908</u>	<u>15,739,299</u>	<u>73,348,745</u>
<b>Expenditures:</b>					
Current:					
General government	3,882,124	21,150	-	2,309,822	6,213,096
Public safety	6,902,416	51,062	-	1,446,268	8,399,746
Education	18,890,357	619,880	10,122,711	7,645,739	37,278,687
Public works	2,485,896	299,184	-	1,771,080	4,556,160
Health and human services	890,337	-	-	2,841,125	3,731,462
Culture and recreation	799,250	92,218	-	984,202	1,875,670
Employee benefits	10,800,905	-	-	-	10,800,905
Debt service	4,055,921	-	-	14,055	4,069,976
Intergovernmental	3,930,390	-	-	-	3,930,390
Total Expenditures	<u>52,637,596</u>	<u>1,083,494</u>	<u>10,122,711</u>	<u>17,012,291</u>	<u>80,856,092</u>
(Deficiency) of revenues over expenditures	(1,175,058)	(1,038,494)	(4,020,803)	(1,272,992)	(7,507,347)
<b>Other Financing Sources (Uses):</b>					
Capital lease proceeds	607,482	-	-	-	607,482
Transfers in	1,307,869	50,888	-	880,344	2,239,101
Transfers out	(1,155,828)	(85,510)	-	(1,317,377)	(2,558,715)
Total Other Financing Sources (Uses)	<u>759,523</u>	<u>(34,622)</u>	<u>-</u>	<u>(437,033)</u>	<u>287,868</u>
Change in fund balance	(415,535)	(1,073,116)	(4,020,803)	(1,710,025)	(7,219,479)
Fund Equity, at Beginning of Year, as reclassified	<u>6,201,025</u>	<u>(397,377)</u>	<u>1,456,237</u>	<u>3,725,636</u>	<u>10,985,521</u>
Fund Equity, at End of Year	<u>\$ 5,785,490</u>	<u>\$ (1,470,493)</u>	<u>\$ (2,564,566)</u>	<u>\$ 2,015,611</u>	<u>\$ 3,766,042</u>

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

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

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ (7,219,479)</b>												
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital asset purchases, net of disposals</td> <td style="width: 20%; text-align: right;">16,408,825</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,409,838)</td> </tr> </table> </li> <li>• Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures, and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue, net of allowance for uncollectibles. <span style="float: right;">(194,244)</span></li> <li>• The issuance of long-term debt (e.g., bonds and capital leases) provide 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, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Repayments of long-term debt</td> <td style="width: 20%; text-align: right;">2,733,146</td> </tr> <tr> <td>Issuance of capital leases</td> <td style="text-align: right;">(607,482)</td> </tr> <tr> <td>Repayment of capital leases</td> <td style="text-align: right;">206,842</td> </tr> <tr> <td>Amortization of loss on early retirement of debt</td> <td style="text-align: right;">(33,500)</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">(56,902)</span></li> <li>• Some expenses reported in the statement of activities, such as landfill closure, accrued compensated absences, net OPEB obligation, and net pension liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <span style="float: right;"><u>(3,888,084)</u></span></li> </ul>		Capital asset purchases, net of disposals	16,408,825	Depreciation	(3,409,838)	Repayments of long-term debt	2,733,146	Issuance of capital leases	(607,482)	Repayment of capital leases	206,842	Amortization of loss on early retirement of debt	(33,500)
Capital asset purchases, net of disposals	16,408,825												
Depreciation	(3,409,838)												
Repayments of long-term debt	2,733,146												
Issuance of capital leases	(607,482)												
Repayment of capital leases	206,842												
Amortization of loss on early retirement of debt	(33,500)												
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>3,939,284</u></b>												

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

TOWN OF GREENFIELD, MASSACHUSETTS  
GENERAL FUND  
STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers In:</b>				
Property taxes	\$ 29,436,554	\$ 29,436,554	\$ 29,436,554	\$ -
Excises	1,450,000	1,450,000	1,633,986	183,986
Penalties, interest and other taxes	954,438	954,438	940,335	(14,103)
Charges for services	1,266,640	1,266,640	1,387,668	121,028
Intergovernmental	16,874,059	16,874,059	16,879,703	5,644
Licenses and permits	103,000	103,000	121,127	18,127
Fines and forfeitures	268,000	268,000	241,560	(26,440)
Investment income	10,000	10,000	19,295	9,295
Miscellaneous	1,400	1,400	527,454	526,054
Transfers in	<u>2,178,185</u>	<u>2,843,085</u>	<u>3,414,481</u>	<u>571,396</u>
Total Revenues and Transfer In	52,542,276	53,207,176	54,602,163	1,394,987
<b>Expenditures and Transfers Out:</b>				
General government	3,437,948	4,016,743	3,864,125	152,618
Public safety	6,480,228	6,529,833	6,338,853	190,980
Education	18,881,627	18,881,627	18,891,496	(9,869)
Public works	2,603,087	2,639,587	2,485,412	154,175
Health and human services	1,052,350	1,052,350	890,390	161,960
Culture and recreation	795,050	795,050	794,250	800
Employee benefits	11,175,525	11,175,525	10,808,405	367,120
Debt service	4,076,994	4,076,994	4,055,921	21,073
Intergovernmental	3,819,543	3,819,543	3,930,390	(110,847)
Transfers out	<u>107,600</u>	<u>2,878,888</u>	<u>2,960,600</u>	<u>(81,712)</u>
Total Expenditures and Transfers Out	52,429,952	55,866,140	55,019,842	846,298
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	<u>112,324</u>	<u>(2,658,964)</u>	<u>(417,679)</u>	<u>2,241,285</u>
<b>Other Financing Sources/Uses:</b>				
Use of free cash:				
Transfer to Special revenue funds	-	138,000	-	(138,000)
Transfer to Capital project funds	-	23,288	-	(23,288)
Transfer to Stabilization funds	-	2,310,000	-	(2,310,000)
Transfer to OPEB trust fund	-	300,000	-	(300,000)
Overlay deficit	(12,482)	(12,482)	-	12,482
Snow & ice deficit	<u>(99,842)</u>	<u>(99,842)</u>	<u>-</u>	<u>99,842</u>
Total Other Financing Sources/Uses	<u>(112,324)</u>	<u>2,658,964</u>	<u>-</u>	<u>(2,658,964)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (417,679)</u>	<u>\$ (417,679)</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 1,720,324	\$ 581,649	\$ 2,301,973
User fees receivable, net of allowance for uncollectible	736,332	929,776	1,666,108
Total current assets	2,456,656	1,511,425	3,968,081
Noncurrent:			
Tax liens, net of allowance for uncollectible	24,327	30,712	55,039
Construction in progress	50,000	-	50,000
Capital assets, net of accumulated depreciation	5,419,388	9,724,203	15,143,591
Total noncurrent assets	5,493,715	9,754,915	15,248,630
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>170,468</b>	<b>119,898</b>	<b>290,366</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,120,839</b>	<b>11,386,238</b>	<b>19,507,077</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	237,399	83,772	321,171
Accounts payable	133,823	-	133,823
Accrued payroll	21,740	42,139	63,879
Accrued interest payable	13,341	19,697	33,038
Notes payable	1,560,000	550,000	2,110,000
Current portion of long-term liabilities: Bonds payable	237,000	660,600	897,600
Total current liabilities	2,203,303	1,356,208	3,559,511
Noncurrent:			
Bonds payable, net of current portion	837,000	1,995,700	2,832,700
Accrued compensated absences	76,881	81,622	158,503
Net OPEB obligation	770,020	821,540	1,591,560
Net pension liability	1,004,070	772,361	1,776,431
Total noncurrent liabilities	2,687,971	3,671,223	6,359,194
<b>TOTAL LIABILITIES</b>	<b>4,891,274</b>	<b>5,027,431</b>	<b>9,918,705</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,178,250	5,971,640	8,149,890
Unrestricted	1,051,315	387,167	1,438,482
<b>TOTAL NET POSITION</b>	<b>\$ 3,229,565</b>	<b>\$ 6,358,807</b>	<b>\$ 9,588,372</b>

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

TOWN OF GREENFIELD, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 1,691,402	\$ 2,197,230	\$ 3,888,632
Total Operating Revenues	1,691,402	2,197,230	3,888,632
<b>Operating Expenses:</b>			
Salaries and wages	961,524	895,546	1,857,070
Operating expenses	814,727	1,001,148	1,815,875
Depreciation	293,629	430,351	723,980
Total Operating Expenses	2,069,880	2,327,045	4,396,925
Operating (Loss)	(378,478)	(129,815)	(508,293)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	79,046	132,073	211,119
Investment income	311	14,779	15,090
Interest expense	(48,280)	(32,929)	(81,209)
Total Nonoperating Revenues (Expenses), Net	31,077	113,923	145,000
(Loss) Before Transfers	(347,401)	(15,892)	(363,293)
<b>Transfers:</b>			
Transfers in	35,614	-	35,614
Transfers out	-	(16,000)	(16,000)
Change in Net Position	(311,787)	(31,892)	(343,679)
Net Position at Beginning of Year	3,541,352	6,390,699	9,932,051
Net Position at End of Year	\$ 3,229,565	\$ 6,358,807	\$ 9,588,372

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

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

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 1,737,295	\$ 2,303,543	\$ 4,040,838
Payments to vendors and employees	<u>(1,081,549)</u>	<u>(1,801,244)</u>	<u>(2,882,793)</u>
Net Cash Provided By Operating Activities	655,746	502,299	1,158,045
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers in	35,614	-	35,614
Transfers out	-	(16,000)	(16,000)
Intergovernmental subsidy	<u>79,046</u>	<u>132,073</u>	<u>211,119</u>
Net Cash Provided By Noncapital Financing Activities	114,660	116,073	230,733
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition, disposal and construction of capital assets	(1,005,351)	(79,696)	(1,085,047)
Issuance of short-term notes	1,560,000	550,000	2,110,000
Repayments of short-term notes	(100,000)	(655,000)	(755,000)
Principal payments on bonds	(255,000)	(657,900)	(912,900)
Interest paid	<u>(47,157)</u>	<u>(36,410)</u>	<u>(83,567)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>152,492</u>	<u>(879,006)</u>	<u>(726,514)</u>
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>311</u>	<u>14,779</u>	<u>15,090</u>
Net Cash Provided By Investing Activities	<u>311</u>	<u>14,779</u>	<u>15,090</u>
Net Change in Cash and Short-Term Investments	923,209	(245,855)	677,354
Cash and Short-Term Investments, Beginning of Year	<u>797,115</u>	<u>827,504</u>	<u>1,624,619</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,720,324</u>	<u>\$ 581,649</u>	<u>\$ 2,301,973</u>
<b><u>Reconciliation of Operating (Loss) to Net Cash Provided By Operating Activities:</u></b>			
Operating (loss)	\$ (378,478)	\$ (129,815)	\$ (508,293)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	293,629	430,351	723,980
Changes in assets and liabilities:			
User fees receivable	45,893	106,313	152,206
Warrants and accounts payable	344,331	26,924	371,255
Accrued payroll	2,931	18,903	21,834
Accrued compensated absences	10,494	2,245	12,739
Net OPEB obligation	70,842	66,591	137,433
Net pension liability, net of deferrals	<u>266,104</u>	<u>(19,213)</u>	<u>246,891</u>
Net Cash Provided By Operating Activities	<u>\$ 655,746</u>	<u>\$ 502,299</u>	<u>\$ 1,158,045</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>	<u>Pension Trust Fund (As of December 31, 2015)</u>
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ 60,761	\$ 481,537	\$ 111,253	\$ 573,408
Investments	309,352	538,643	-	57,752,198
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>613,312</u>
Total Assets	370,113	1,020,180	111,253	58,938,918
<b><u>LIABILITIES AND NET POSITION</u></b>				
Warrants payable	-	-	15,079	-
Accrued payroll	-	-	2,228	-
Other liabilities	<u>-</u>	<u>-</u>	<u>93,946</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>111,253</u>	<u>-</u>
<b><u>NET POSITION</u></b>				
Total net position held in trust for pension benefits and other purposes	<u>\$ 370,113</u>	<u>\$ 1,020,180</u>	<u>\$ -</u>	<u>\$ 58,938,918</u>

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

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

	Private Purpose Trust Funds	OPEB Trust Fund	Pension Trust Fund (For the Year Ended December 31, 2015)
<b>Additions:</b>			
Contributions:			
Employers	\$ -	\$ -	\$ 3,752,465
Other systems and Commonwealth of Massachusetts	-	-	542,855
Plan members	-	-	1,748,853
Other	4,192	-	22,316
Total contributions	4,192	-	6,066,489
Investment Income:			
Interest and dividends	2,386	12,324	1,532,697
Realized gain on sale of investments	-	-	2,114,470
Decrease in fair value of investments	-	-	(2,920,114)
Less: Management fees	-	-	(301,847)
Net investment income	2,386	12,324	425,206
Total additions	6,578	12,324	6,491,695
<b>Deductions:</b>			
Benefit payments to plan members and beneficiaries	-	-	6,497,999
Reimbursements to other systems	-	-	52,173
Refunds to plan members	-	-	352,901
Administrative expenses	-	-	137,803
Scholarships	11,206	-	-
Total deductions	11,206	-	7,040,876
Net increase (decrease), before transfers	(4,628)	12,324	(549,181)
Transfer in	-	300,000	-
Net increase (decrease), after transfers	(4,628)	312,324	(549,181)
<b>Net position:</b>			
Beginning of year	374,741	707,856	59,488,099
End of year	\$ 370,113	\$ 1,020,180	\$ 58,938,918

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

## Town of Greenfield, Massachusetts

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units, other than the Greenfield Contributory Retirement System as described below.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Greenfield Contributory Retirement System (the System) which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at Town Hall, 14 Court Square, Greenfield, MA 01301.

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

###### Government-Wide Financial Statements

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

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

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

#### Government-Wide Financial Statements

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

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

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days

of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 *2015 capital articles fund* accounts for all activities related to the capital articles voted for fiscal year 2015.
- The *high school construction fund* accounts for all activities related to the construction of the Town's new high school.

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

The Town reports the following major proprietary funds:

- The *water enterprise fund*, which accounts for operations related to providing the Town's water services and supporting infrastructure.
- The *sewer enterprise fund*, which accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.

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

The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

The *pension trust fund* accounts for the activities of the Greenfield Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

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

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purposes of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Town consists primarily of certificates of deposit, equities and mutual funds. Investments are carried at market value.

The Contributory Retirement System is invested in the State investment pool. Investments are carried at market value.

#### F. Property Tax Limitations

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2016 tax levy reflected an excess capacity of \$1,746,983.

*G. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., the current portion of interfund loans).

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Water/sewer infrastructure	50
Vehicles	6 - 10
Equipment	10
General infrastructure	20 - 50

*I. Compensated Absences*

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

K. Fund Equity

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

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

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

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

2. **Stewardship, Compliance and Accountability**

A. Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective

budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 51,462,538	\$ 52,637,596
Other financing sources/uses (GAAP basis)	<u>1,915,351</u>	<u>1,155,828</u>
Subtotal (GAAP Basis)	53,377,889	53,793,424
Remove the effect of adding Town's Stabilization funds per GASB 54	2,085,807	1,804,772
Adjust tax revenue to accrual basis	(254,051)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(179,284)
Add end of year appropriation carryforwards to expenditures	-	208,412
Reverse the effect of non-budgeted capital lease issuance	<u>(607,482)</u>	<u>(607,482)</u>
Budgetary basis	<u><u>\$ 54,602,163</u></u>	<u><u>\$ 55,019,842</u></u>

**D. Deficit Fund Equity**

The following funds had deficits as of June 30, 2016:

Fiscal year 2015 capital articles	\$ (1,470,493)
High School construction capital project	\$ (2,564,566)
Nonmajor Funds:	
FEMA Tropical Storm Irene	\$ (1,464,715)
Fiscal year 2014 capital/borrowing articles	(867,674)
Fiscal year 2016 capital/borrowing articles	(842,558)
Green River school construction project	(595,806)
Fiscal year 2011 capital/borrowing articles	(184,796)
Parking garage capital project	(142,115)
Fiscal year 2012 capital/borrowing articles	(111,448)
Federal Street school construction project	(42,224)
Fiscal year 2013 capital/borrowing articles	(35,616)
Fiscal year 2005 capital/borrowing articles	(21,642)
	<u>\$ (4,308,594)</u>

The deficits in these funds will be eliminated through future intergovernmental revenues, bond proceeds, and/or Town Council appropriation.

**3. Cash and Short-Term Investments**

*Custodial Credit Risk* - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town and System do not have a deposit policy for custodial credit risk.

As of June 30, 2016, \$1,485,740 of the Town's bank balance of \$15,426,187 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Town's name.

As of December 31, 2015, none of the Contributory Retirement System's bank balance of \$644,666 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the System's name.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, and the investment policy adopted by the Town in November 2009, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town manages credit risk by the diversification and prudent selection of investment instruments and choice of depository. The policy also states that no more than 10% of the Town's investments shall be invested in a single financial institution.

None of the Town's investments of \$3,458,720 are subject to credit risk.

The Retirement System's investments of \$57,752,198\* are in the State investment pool which are not subject to credit risk.

*\* Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

##### B. Custodial Credit Risk

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

As previously noted, the Town adopted an investment policy in November 2009 that limits unsecured bank deposits to no more than 5% of an institutions assets or 10% of the Town's cash balance. In addition, the policy limit's the Treasurer to investing in financial instruments included on a list produced annually by the Commonwealth Division of Banks (commonly referred to as the "Legal List of Investments").

The Town's investments in certificate of deposits are fully insured and not exposed to custodial credit risk. The Town's other investments are subject to custodial credit risk because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

The Retirement System's investments are in the State investment pool which is not subject to custodial credit risk.

*C. Concentration of Credit Risk*

Per the Town's investment policy, no more than 10% of the Town's investments shall be invested in a single financial institution. The Town does not have an investment in one issuer greater than 10% of total investments.

Massachusetts General Law Chapter 32, Section 23 limits the amount the Retirement System may invest in any one issuer or security type with the exception of the PRIT fund, which the System is invested in.

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For the most part, the policy adopted in November 2009, establishes a one-year investment term limit for applicable types of investments, such as certificates of deposit for general fund investments. Trust fund investments have no limit on the length of maturity from date of purchase.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt from Disclosure</u>	<u>Investment Maturities</u> <u>(in Years)</u>
			<u>Less Than 1</u>
Certificates of deposit	\$ 2,456,840	\$ -	\$ 2,456,840
Equities	608,389	608,389	-
Mutual funds	393,491	393,491	-
Total	<u>\$ 3,458,720</u>	<u>\$ 1,001,880</u>	<u>\$ 2,456,840</u>

Information about the sensitivity of the fair values of the Retirement System’s investments to market interest rate fluctuations is not applicable as all of the System’s investments are immediately liquid.

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Massachusetts General Law prohibits foreign investments, therefore, the investment policy adopted in November 2009 does not speak specifically to foreign currency issues. This risk is managed by limiting the Treasurer to investments contained on the “Legal List of Investments”. The System does not have a policy for foreign currency risk.

*F. Fair Value*

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

<u>Description</u>	<u>Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Equity securities	\$ 608,389	\$ 608,389	\$ -	\$ -
Mutual funds	<u>393,491</u>	393,491	-	-
Total	<u>\$ 1,001,880</u>			

The System has the following fair value measurements as of December 31, 2015:

<u>Description</u>	<u>Value</u>
Investments measured at the net asset value (NAV):	
External investment pool	\$ <u>57,752,198</u>

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 57,752,198	\$ -	Monthly	30 days

## 5. Taxes Receivable

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

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

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

Real Estate		
2016	\$ 418,536	
2015	120	
	<u>          </u>	418,656
Personal Property		
2016	6,649	
2015	4,182	
2014	2,127	
2013 and prior	22,646	
	<u>          </u>	35,604
Tax Liens		<u>618,748</u>
Total		\$ <u>1,073,008</u>

## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 21,752	\$ -
Excises	114,752	-
Departmental	117,147	-
Tax liens	61,610	13,849
User fees	-	75,434

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

## 8. Loan Receivable

This balance represents various deferred payment loans made to residents through the Town's Federal Community Development Block Grant programs.

## 9. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 54,688,422	\$ 1,181,973	\$ -	\$ 2,027,683	\$ 57,898,078
Machinery, equipment, and furnishings	9,219,796	1,326,784	-	22,570	10,569,150
Infrastructure	15,696,384	1,300,521	-	-	16,996,905
Total capital assets, being depreciated	79,604,602	3,809,278	-	2,050,253	85,464,133
Less accumulated depreciation for:					
Buildings and improvements	(35,358,463)	(2,025,472)	-	-	(37,383,935)
Machinery, equipment, and furnishings	(6,878,690)	(803,267)	-	-	(7,681,957)
Infrastructure	(9,613,046)	(581,099)	-	-	(10,194,145)
Total accumulated depreciation	(51,850,199)	(3,409,838)	-	-	(55,260,037)
Total capital assets, being depreciated, net	27,754,403	399,440	-	2,050,253	30,204,096
Capital assets, not being depreciated:					
Land	13,408,165	107,795	(190,280)	-	13,325,680
Construction in progress (CIP)	53,403,697	12,696,064	(14,032)	(2,050,253)	64,035,476
Total capital assets, not being depreciated	66,811,862	12,803,859	(204,312)	(2,050,253)	77,361,156
Governmental activities capital assets, net	\$ 94,566,265	\$ 13,203,299	\$ (204,312)	\$ -	\$ 107,565,252

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 9,431,098	\$ -	\$ -	\$ -	\$ 9,431,098
Machinery, equipment, and furnishings	1,348,043	100,748	-	-	1,448,791
Infrastructure	15,555,241	934,299	-	45,182	16,534,722
Total capital assets, being depreciated	26,334,382	1,035,047	-	45,182	27,414,611
Less accumulated depreciation for:					
Buildings and improvements	(2,968,018)	(188,622)	-	-	(3,156,640)
Machinery, equipment, and furnishings	(738,049)	(87,715)	-	-	(825,764)
Infrastructure	(7,840,973)	(447,643)	-	-	(8,288,616)
Total accumulated depreciation	(11,547,040)	(723,980)	-	-	(12,271,020)
Total capital assets being depreciated, net	14,787,342	311,067	-	45,182	15,143,591
Capital assets, not being depreciated:					
Land	-	50,000	-	-	50,000
Construction in progress (CIP)	45,182	-	-	(45,182)	-
Total capital assets, not being depreciated	45,182	50,000	-	(45,182)	50,000
Business-type activities capital assets, net	\$ 14,832,524	\$ 361,067	\$ -	\$ -	\$ 15,193,591

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

Governmental Activities:	
General government	\$ 417,294
Public safety	405,323
Education	1,596,537
Public works	755,624
Culture and recreation	213,985
Health and human services	21,075
Total Depreciation Expense - Governmental Activities	\$ 3,409,838
Business-Type Activities:	
Water	\$ 293,629
Sewer	430,351
Total Depreciation Expense - Business-Type Activities	\$ 723,980

## 10. Deferred Outflows of Resources

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Loss on debt retirement	\$ 134,000	\$ 14,600
Pension related:		
Differences between expected and actual experience	91,314	4,173
Net difference between projected and actual investment earnings	2,847,802	130,136
Changes in assumptions	2,894,740	132,280
Changes in proportion and differences between contributions and proportionate share of contributions	200,823	9,177
	<u>\$ 6,168,679</u>	<u>\$ 290,366</u>

The deferred loss on the early retirement of debt decreases the long-term debt outstanding as it is the result of the Town's issuance of refunding bonds in prior fiscal years. The loss is being amortized as interest expense of \$33,500 (governmental) and \$3,650 (business-type) over 14 years, beginning in fiscal year 2007.

#### 11. Warrants and Accounts Payable

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

#### 12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2016:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2016</u>
Bond anticipation	0.60%	12/01/15	12/01/16	\$ 975,000
Bond anticipation	0.75%	05/02/16	12/01/16	1,000,000
Bond anticipation	0.74%	05/02/16	12/01/16	1,000,000
Bond anticipation	0.75%	05/02/16	12/01/16	1,809,300
Bond anticipation	0.74%	05/02/16	12/01/16	1,690,000
Bond anticipation	0.80%	06/30/16	12/01/16	2,768,000
Total				<u>\$ 9,242,300</u>

The following summarizes activity in notes payable during fiscal year 2016:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 4,871,300	\$ 10,932,300	\$ (6,561,300)	\$ 9,242,300

### 13. Long-Term Debt

#### A. 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 are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2016
<u>Governmental Activities:</u>			
Multi-purpose 98	11/01/17	4.14	\$ 255,000
Title V (part I)	08/01/19	0.00	3,568
Multi-purpose 00	09/01/20	4.15	2,491,000
Title V (part II)	08/01/24	0.00	30,893
Multi-purpose 10	12/01/24	2.77	1,029,500
Multi-purpose 12	02/01/27	2.50	1,795,000
Multi-purpose 14	03/01/39	3.00-5.00	<u>25,785,000</u>
Total Governmental Activities			31,389,961
<u>Business-Type Activities:</u>			
Wastewater treatment plant upgrade (MWPAT)	08/01/18	1.50	1,660,800
Multi-purpose 00	09/01/20	4.15	659,000
Multi-purpose 10	12/01/24	2.77	285,500
Multi-purpose 12	02/01/27	2.50	635,000
Multi-purpose 14	03/01/34	3.00-5.00	<u>490,000</u>
Total Business-Type Activities			<u>3,730,300</u>
Total All Debt			<u>\$ 35,120,261</u>

#### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,574,146	\$ 1,209,932	\$ 3,784,078
2018	2,405,146	1,110,250	3,515,396
2019	2,248,146	1,010,086	3,258,232
2020	1,398,146	929,729	2,327,875
2021	1,375,254	868,973	2,244,227
2022 - 2026	5,949,123	3,593,790	9,542,913
2027 - 2031	5,755,000	2,568,744	8,323,744
Thereafter	<u>9,685,000</u>	<u>1,796,400</u>	<u>11,481,400</u>
Total	\$ <u>31,389,961</u>	\$ <u>13,087,904</u>	\$ <u>44,477,865</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 897,600	\$ 76,533	\$ 974,133
2018	897,600	55,845	953,445
2019	910,600	43,483	954,083
2020	286,000	32,440	318,440
2021	143,000	24,408	167,408
2022 - 2026	445,500	64,941	510,441
2027 - 2031	130,000	14,238	144,238
Thereafter	<u>20,000</u>	<u>1,400</u>	<u>21,400</u>
Total	\$ <u>3,730,300</u>	\$ <u>313,288</u>	\$ <u>4,043,588</u>

### C. Changes in General Long-Term Liabilities

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

	<u>Total Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2016</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2016</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 34,123	\$ -	\$ (2,733)	\$ 31,390	\$ (2,574)	\$ 28,816
Capital lease	127	607	(206)	528	(45)	483
Landfill closure	243	-	(23)	220	(22)	198
Accrued compensated absences	1,501	34	-	1,535	-	1,535
Net OPEB obligation	28,258	3,083	-	31,341	-	31,341
Net pension liability	<u>32,150</u>	<u>6,724</u>	<u>-</u>	<u>38,874</u>	<u>-</u>	<u>38,874</u>
Totals	\$ <u>96,402</u>	\$ <u>10,448</u>	\$ <u>(2,962)</u>	\$ <u>103,888</u>	\$ <u>(2,641)</u>	\$ <u>101,247</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,643	\$ -	\$ (912)	\$ 3,731	\$ (898)	\$ 2,833
Accrued compensated absences	146	13	-	159	-	159
Net OPEB obligation	1,454	138	-	1,592	-	1,592
Net pension liability	<u>1,258</u>	<u>518</u>	<u>-</u>	<u>1,776</u>	<u>-</u>	<u>1,776</u>
Totals	\$ <u>7,501</u>	\$ <u>669</u>	\$ <u>(912)</u>	\$ <u>7,258</u>	\$ <u>(898)</u>	\$ <u>6,360</u>

**14. Capital Lease Obligations**

The Town is the lessee of certain equipment under capital leases expiring in 2025. Future minimum lease payments consist of the following as of June 30, 2016:

<u>Fiscal Year</u>	
2017	\$ 57,989
2018	95,520
2019	95,520
2020	57,989
2021	57,989
2022 - 2025	<u>231,956</u>
Total minimum lease payments	596,963
Less amounts representing interest	<u>(68,514)</u>
Present Value of Minimum Lease Payments	<u>\$ 528,449</u>

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

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although post-closure care costs will be paid only after the date that the landfill stopped accepting waste, the Town reports a portion of these costs as a liability in the financial statements in each period based on the remaining years of required post-closure care. The Town funded the cost of closure through bond proceeds. Annual monitoring costs will be funded through the general fund operating budget.

The Town's landfill was closed in fiscal year 1997. The \$220,500 reported as post-closure care liability at June 30, 2016 represents annual monitoring costs of \$22,050 for the next 10 years. This amount is based on what it would cost to perform all post-closure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**16. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The deferred inflow of resources balance as of June 30, 2016 consists of unearned revenue in connection with deferred payment loans that are not considered to be available to liquidate liabilities of the current period and subsequent levy year taxes collected in the current year.

## 17. Interfund Fund Accounts

### Receivables / Payables

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

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,517,809	\$ -
High School Construction Fund	<u>-</u>	<u>1,517,809</u>
Total	<u>\$ 1,517,809</u>	<u>\$ 1,517,809</u>

### Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental, proprietary and fiduciary fund financial statements. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 1,307,869	\$ 1,155,828
2015 capital articles	50,888	85,510
Nonmajor Funds:		
Special revenue funds	515,444	1,317,251
Capital project funds	214,900	126
Trust funds	<u>150,000</u>	<u>-</u>
Subtotal Nonmajor funds	880,344	1,317,377
<u>Business-Type Funds:</u>		
Water fund	35,614	-
Sewer fund	-	16,000
<u>Fiduciary Funds:</u>		
OPEB trust fund	<u>300,000</u>	<u>-</u>
Grand Total	<u>\$ 2,574,715</u>	<u>\$ 2,574,715</u>

## 18. **Restricted Net Position**

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

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

## 19. **Governmental Funds – Balances**

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

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

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

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

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

**Committed** - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The fund balance classification includes stabilization funds restricted for specific purposes.

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

Unassigned - Represents amounts that are available to be spent in future periods, general stabilization fund and deficit fund balances.

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

	General Fund	2015 Capital Articles	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
<b>Nonexpendable</b>					
permanent funds	\$ -	\$ -	\$ -	\$ 49,496	\$ 49,496
Total Nonexpendable	-	-	-	49,496	49,496
<b>Restricted</b>					
Bonded projects	-	-	-	121,394	121,394
Special revenue funds	-	-	-	5,717,799	5,717,799
<b>Expendable</b>					
permanent funds	-	-	-	435,516	435,516
Total Restricted	-	-	-	6,274,709	6,274,709
<b>Committed</b>					
<b>Building maintenance</b>					
stabilization fund *	281,228	-	-	-	281,228
Capital stabilization fund *	406,285	-	-	-	406,285
<b>Contractual agreements</b>					
stabilization fund *	35,502	-	-	-	35,502
Total Committed	723,015	-	-	-	723,015
<b>Assigned</b>					
Encumbrances	208,412	-	-	-	208,412
Total Assigned	208,412	-	-	-	208,412
<b>Unassigned</b>					
General fund	2,938,651	-	-	-	2,938,651
General stabilization fund	1,915,412	-	-	-	1,915,412
Deficit fund balances	-	(1,470,493)	(2,564,566)	(4,308,594)	(8,343,653)
Total Unassigned	4,854,063	(1,470,493)	(2,564,566)	(4,308,594)	(3,489,590)
Total Fund Balance	\$ 5,785,490	\$ (1,470,493)	\$ (2,564,566)	\$ 2,015,611	\$ 3,766,042

\* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires 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.

## 20. Subsequent Events

### Debt and Capital Leases

Subsequent to June 30, 2016, the Town has incurred the following additional debt and capital leases:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 2,325,000	0.85%	06/30/16*	12/01/16
Bond anticipation note	1,500,000	0.94%	10/17/16	10/17/17
Bond anticipation note	1,000,000	0.90%	10/17/16	10/17/17
Bond anticipation note	1,500,000	1.00%	12/01/16	06/01/17
Bond anticipation note	1,714,000	0.95%	12/01/16	06/01/17
Bond anticipation note	4,404,000	1.20%	01/20/17	01/19/18
Bond anticipation note	2,214,000	1.30%	06/01/17	06/01/18
Bond anticipation note	1,000,000	1.25%	06/01/17	06/01/18
Bond anticipation note	1,000,000	1.25%	06/30/17	06/01/18
Bond anticipation note	1,000,000	1.27%	06/30/17	06/01/18
Bond anticipation note	1,500,000	1.34%	06/30/17	06/01/18
Bond anticipation note	177,400	1.35%	06/30/17	06/01/18
Bond anticipation note	1,000,000	1.27%	10/17/17	06/01/18
Bond anticipation note	1,500,000	1.35%	10/17/17	06/01/18
Multi-purpose 16	\$ 7,381,000	3.0-3.5%	12/01/16	12/01/41
Capital lease	\$ 115,317	n/a	04/20/17	04/20/19

\* This note was issued on September 19, 2016, but with an effective date of June 30, 2016.

## 21. Commitments and Contingencies

Outstanding Legal Issues - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

Environmental Issues - The Town has identified numerous environmental issues which may or may not become liabilities of the Town in the future. The

Town has complied with all pertinent regulations and continually monitors each situation. The extent of the Town's liability related to environmental issues cannot be determined at this time, although the Town expects such liability, if any, to be immaterial.

## **22. Post-Employment Health Care and Life Insurance Benefits**

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

### *A. Plan Description*

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2015, the actuarial valuation date, approximately 479 retirees and 525 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### *B. Benefits Provided*

The Town provides medical, prescription drug, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

### *C. Funding Policy*

Retirees contribute 20% or 40% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

### *D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing

basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2015.

	Governmental Activities	Water Fund	Sewer Fund	Total
Annual Required Contribution (ARC)	\$ 6,173,000	\$ 119,000	\$ 137,000	\$ 6,429,000
Interest on net OPEB obligation	1,001,484	15,611	22,824	1,039,919
Adjustment to ARC	<u>(1,502,827)</u>	<u>(23,426)</u>	<u>(34,250)</u>	<u>(1,560,503)</u>
Annual OPEB cost	5,671,657	111,185	125,574	5,908,416
Contributions made	<u>(2,588,107)</u>	<u>(40,343)</u>	<u>(58,983)</u>	<u>(2,687,433)</u>
Increase in net OPEB obligation	3,083,550	70,842	66,591	3,220,983
Net OPEB obligation - beginning of year	<u>28,257,858</u>	<u>699,178</u>	<u>754,949</u>	<u>29,711,985</u>
Net OPEB obligation - end of year	<u>\$ 31,341,408</u>	<u>\$ 770,020</u>	<u>\$ 821,540</u>	<u>\$ 32,932,968</u>

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

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 5,908,416	45.5%	\$ 32,932,968
2015	\$ 5,873,177	49.7%	\$ 29,711,985
2014	\$ 6,503,570	38.7%	\$ 26,757,816
2013	\$ 6,463,388	46.1%	\$ 22,770,049
2012	\$ 7,259,588	30.1%	\$ 19,286,037

The Town's net OPEB obligation as of June 30, 2016 is recorded as a long-term liability in the accompanying statement of net position.

**E. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 60,298,000
Actuarial value of plan assets	<u>(708,000)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 59,590,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>1%</u>
Covered payroll (active plan members)	<u>\$ 22,077,681</u>
UAAL as a percentage of covered payroll	<u>270%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In fiscal year 2014, the Town established an OPEB Trust Fund under MGL Chapter 32B, Section 20. The balance in the trust fund is \$1,020,180 at June 30, 2016.

*F. Actuarial Methods and Assumptions*

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

In the July 1, 2015 actuarial valuation the entry age normal method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 3.0% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.0%.

**23. Greenfield Contributory Retirement System**

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

#### A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Greenfield Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 14 Court Square, Greenfield, MA 01301.

#### Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 1, 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4

must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

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

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

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2016 was \$3,342,528, which was equal to its annual required contribution.

*B. Summary of Significant Accounting Policies*

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

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

At June 30, 2016, the Town reported a liability of approximately \$40.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Town's proportion was 89.24 percent.

For the year ended June 30, 2016, the Town recognized pension expense of approximately \$4.4 million. In addition, the Town reported deferred outflows of resources related to pensions from the following sources (in thousands):

Differences between expected and actual experience	\$ 95
Net difference between projected and actual investment earnings	2,978
Changes in assumptions	3,027
Changes in proportion and differences between contributions and proportionate share of contributions	<u>210</u>
Total	<u>\$ 6,310</u>

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

Year ended June 30:	
2017	\$ 1,547
2018	1,547
2019	1,547
2020	1,547
2021	<u>122</u>
Total	<u>\$ 6,310</u>

*D. Actuarial Assumptions*

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2015
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.60%
Projected salary increases	4.25% for Group 1, 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$14,000

Pre-retirement rates for mortality were based on RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) and post-retirement rates for mortality were based on RP-2000 Health Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study, dated January 1, 2015, which was for the period January 1, 2013 through December 31, 2014.

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

allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	1.09%
Small/Mid Cap Equities	3.50%	0.27%
Int'l Equities	16.00%	1.28%
Emerging Int'l Equities	6.00%	0.56%
Core Bonds	3.00%	0.12%
20+ Yr. Treasury STRIPS	7.00%	0.28%
15 Yr. Duration Treasuries	0.00%	0.00%
TIPS	3.00%	0.12%
High-Yield Bonds	1.50%	0.09%
Bank Loans	1.50%	0.09%
EMD (External)	1.00%	0.06%
EMD (Local Currency)	2.00%	0.14%
Private Debt	4.00%	0.32%
Private Equity	10.00%	0.95%
Real Estate (Core)	10.00%	0.65%
Timber/Natural Resources	4.00%	0.27%
Hedge Funds	9.00%	0.61%
Portfolio Completion Strategies	4.00%	n/a
Total	<u>100.00%</u>	

#### E. Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower

(6.60%) or 1 percentage-point higher (8.60%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
June 30, 2016	\$50,547	\$40,651	\$32,244

**G. Pension Plan Fiduciary Net Position**

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

**24. Massachusetts Teachers’ Retirement System (MTRS)**

**A. Plan Description**

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report.

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

**B. Benefits Provided**

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For

employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

*C. Contributions*

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

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

*D. Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

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

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Hedge funds	9.0%	5.8%
Portfolio completion strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.6%
Total	<u>100.0%</u>	

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*F. Sensitivity Analysis*

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
June 30, 2015	\$25,449,000	\$20,489,643	\$16,221,000

*G. Special Funding Situation*

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

*H. Town Proportions*

In fiscal year 2015 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$33,416,206 and \$2,710,352 respectively, based on a proportionate share of 0.16%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide statement of activities.

**25. 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 for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**26. Beginning Fund Balance Reclassification**

The Town’s major governmental funds for fiscal year 2016, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

<u>Fund Basis</u>	Governmental Funds		<u>Total</u>
	FEMA Tropical Storm <u>Irene</u>	Nonmajor Governmental <u>Funds</u>	
Fund balance 06/30/15, as previously reported	\$ (1,692,360)	\$ 5,417,996	\$ 3,725,636
Reclassify major funds in accordance with GASB 34	<u>1,692,360</u>	<u>(1,692,360)</u>	<u>-</u>
Fund balance 06/30/15, as reclassified	<u>\$ -</u>	<u>\$ 3,725,636</u>	<u>\$ 3,725,636</u>

**27. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, replacing Statement No. 43 and 57, which is required to be implemented for fiscal year 2017. Included are requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, 43, and 50. Management’s current assessment is that this pronouncement will not have a significant impact on the Plan’s financial statements, though the additional note disclosures and required supplementary information will be significant.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the School District beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB. Management’s current assessment is that this pronouncement will have an impact by increasing net OPEB liability, and as a result, decreasing the unrestricted net position on the government-wide financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS  
SCHEDULE OF OPEB FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

(Amounts expressed in thousands)

**Other Post-Employment Benefits**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/15	\$708	\$60,298	\$59,590	1%	\$22,078	270%
07/01/13	\$0	\$71,943	\$71,943	0%	\$23,952	300%
07/01/11	\$0	\$73,933	\$73,933	0%	\$18,545	399%
07/01/09	\$0	\$80,439	\$80,439	0%	\$20,900	385%
07/01/08	\$0	\$82,482	\$72,482	0%	N/A	N/A

See Independent Auditors' Report.

TOWN OF GREENFIELD, MASSACHUSETTS  
 SCHEDULE OF PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

(Amounts expressed in thousands)

**Greenfield Contributory Retirement System**

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	89.24%	\$40,651	\$14,342	283.44%	56.41%
June 30, 2015	88.69%	\$33,408	\$13,221	252.69%	61.23%

**Massachusetts Teachers' Retirement System**

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	0.163%	\$ -	\$33,416	\$33,416	\$10,338	-	55.38%
June 30, 2015	0.160%	\$ -	\$25,435	\$25,435	\$9,811	-	61.64%

Information above is presented as of the most recent measurement date.

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

See Independent Auditors' Report.

TOWN OF GREENFIELD, MASSACHUSETTS  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016  
 (Unaudited)  
 (Amounts expressed in thousands)

**Greenfield Contributory Retirement System**

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Fiscal Year	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of <u>Covered Payroll</u>
June 30, 2016	\$3,343	\$3,343	\$ -	\$14,342	23.31%
June 30, 2015	\$3,144	\$3,144	\$ -	\$13,221	23.78%

Information above is presented as of the current fiscal year.

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

See Independent Auditors' Report.