

**TOWN OF GREENFIELD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2012**

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# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

51 Davis Street  
Greenfield, MA 01301-2422  
Tel (413) 773-5405 • Fax (413) 773-7304  
[www.melansonheath.com](http://www.melansonheath.com)

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council  
Town of Greenfield, Massachusetts

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, 2012 (except for the Greenfield Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Greenfield's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 (except the Greenfield Contributory Retirement System which is as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 8, 2013 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress 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.

*Melanson Heath + Company P.C.*

July 8, 2013

## **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 of Greenfield for the fiscal year ended June 30, 2012.

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

This discussion and analysis is intended to serve as an introduction to the Town of Greenfield'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 assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 compli-

ance 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 exceeded liabilities by \$ 25,234,699, (i.e., net assets), a change of \$ (4,404,495) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 4,109,721, a change of \$ (2,613,007) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,649,212, a change of \$ (297,792) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 20,198,440, a change of \$ (1,515,124) 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.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 18,540,047	\$ 16,159,442	\$ 3,748,805	\$ 3,318,732	* \$ 22,288,852	\$ 19,478,174
Capital assets	<u>41,460,804</u>	<u>40,893,344</u>	<u>14,953,064</u>	<u>14,782,922</u>	* <u>56,413,868</u>	<u>55,676,266</u>
Total assets	60,000,851	57,052,786	18,701,869	18,101,654	78,702,720	75,154,440
Long-term liabilities outstanding	33,914,120	30,885,044	7,886,347	7,553,700	41,800,467	38,438,744
Other liabilities	<u>11,470,894</u>	<u>6,666,812</u>	<u>196,660</u>	<u>399,690</u>	<u>11,667,554</u>	<u>7,066,502</u>
Total liabilities	45,385,014	37,551,856	8,083,007	7,953,390	53,468,021	45,505,246
Net assets:						
Invested in capital assets, net	26,148,000	24,494,316	8,262,291	8,342,079	34,410,291	32,836,395
Restricted	2,313,559	4,372,030	-	-	2,313,559	4,372,030
Unrestricted	<u>(13,845,722)</u>	<u>(9,365,416)</u>	<u>2,356,571</u>	<u>1,796,185</u>	<u>(11,489,151)</u>	<u>(7,569,231)</u>
Total net assets	\$ <u>14,615,837</u>	\$ <u>19,500,930</u>	\$ <u>10,618,862</u>	\$ <u>10,138,264</u>	\$ <u>25,234,699</u>	\$ <u>29,639,194</u>

\* Prior year balances have been adjusted to reflect a reclassification between capital assets and other assets for a vendor over-payment of \$ 288,221.

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,679,158	\$ 5,417,052	\$ 4,062,279	\$ 3,968,846	\$ 10,741,437	\$ 9,385,898
Operating grants and contributions	25,990,080	24,557,529	-	-	25,990,080	24,557,529
Capital grants and contributions	2,091,351	2,744,616	144,228	128,616	2,235,579	2,873,232
General revenues:						
Property taxes	25,234,017	24,153,644	-	-	25,234,017	24,153,644
Excises	1,413,521	1,314,739	-	-	1,413,521	1,314,739
Penalties, interest and other taxes	895,359	749,117	-	-	895,359	749,117
Grants and contributions not restricted to specific programs	6,064,751	2,685,303	-	-	6,064,751	2,685,303
Investment income	33,109	26,064	2,075	949	35,184	27,013
Miscellaneous	366,733	478,199	206,307	23,881	573,040	502,080
Total revenues	<u>68,768,079</u>	<u>62,126,263</u>	<u>4,414,889</u>	<u>4,122,292</u>	<u>73,182,968</u>	<u>66,248,555</u>
Expenses:						
General government	5,122,279	4,266,568	-	-	5,122,279	4,266,568
Public safety	6,390,189	6,122,713	-	-	6,390,189	6,122,713
Education	30,720,039	29,030,786	-	-	30,720,039	29,030,786
Public works	7,242,031	3,817,216	-	-	7,242,031	3,817,216
Health and human services	4,278,136	4,129,266	-	-	4,278,136	4,129,266
Culture and recreation	1,048,945	801,519	-	-	1,048,945	801,519
Employee benefits	14,440,841	13,656,872	-	-	14,440,841	13,656,872
Interest	825,046	734,661	-	-	825,046	734,661
Intergovernmental	3,671,229	3,681,795	-	-	3,671,229	3,681,795
Water operations	-	-	1,627,076	1,784,107	1,627,076	1,784,107
Sewer operations	-	-	2,207,215	2,346,969	2,207,215	2,346,969
Total expenses	<u>73,738,735</u>	<u>66,241,396</u>	<u>3,834,291</u>	<u>4,131,076</u>	<u>77,573,026</u>	<u>70,372,472</u>
Change in net assets, before transfers	(4,970,656)	(4,115,133)	580,598	(8,784)	(4,390,058)	(4,123,917)
Transfers, net	<u>85,563</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(14,437)</u>	<u>-</u>
Change in net assets, after transfers	(4,885,093)	(4,115,133)	480,598	(8,784)	(4,404,495)	(4,123,917)
Net assets - beginning of year	<u>19,500,930</u>	<u>23,616,063</u>	<u>10,138,264</u>	<u>10,147,048</u>	<u>29,639,194</u>	<u>33,763,111</u>
Net assets - end of year	<u>\$ 14,615,837</u>	<u>\$ 19,500,930</u>	<u>\$ 10,618,862</u>	<u>\$ 10,138,264</u>	<u>\$ 25,234,699</u>	<u>\$ 29,639,194</u>

As noted earlier, net assets 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 assets were \$ 25,234,699, a change of \$ (4,404,495) from the prior year.

A large portion of net assets, \$ 34,410,291 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 assets, \$ 2,313,559 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ (13,845,722) (governmental) and \$ 2,356,571 (business-type) may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ (4,885,093). Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
General Fund Operating Results:	
Shortfall of tax collections compared to budget	\$ (279,316)
State and local revenues over budget, which includes	
\$3,379,448 of proceeds from MSBA for debt refunding	3,996,935
Budgetary appropriations unspent by departments	855,460
Use of free cash (fund balance) as a funding source	(1,487,875)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(258,473)
Reverse GAAP accruals	(100,242)
Other uses raised in the current year	81,011
Paydown of refunded debt	(3,267,000)
Interest and premium on refunded bonds	(96,765)
Change in Stabilization fund	506,107
Major fund - FEMA tropical storm Irene expenditures in excess of revenues and transfers in	(2,446,889)
Major fund - Virtual school fund revenues in excess of expenditures and transfers out	28,895
Special revenue, trust fund and capital project fund expenditures and transfers out in excess of revenues, bond proceeds and transfers in	(144,855)
Depreciation expense in excess of principal debt service	(900,942)
Net OPEB obligation liability increase	(4,880,396)
Capital assets purchased from taxation and grants	3,588,123
Reverse bond proceeds	(3,692,400)
Reverse paydown of refunded debt	3,267,000
Other timing differences	346,529
Total	<u>\$ (4,885,093)</u>

**Business-Type Activities.** Business-type activities for the year resulted in a change in net assets of \$ 480,598. Key elements of this change are as follows:

Water enterprise	\$ 70,187
Sewer enterprise	<u>410,411</u>
Total	<u>\$ 480,598</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 \$ 4,109,721, a change of \$ (2,613,007) in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>Governmental Activities</u>
General Fund Operating Results:	
Shortfall of tax collections compared to budget	\$ (279,316)
State and local revenues over budget, which includes	
\$3,379,448 of proceeds from MSBA for debt refunding	3,996,935
Budgetary appropriations unspent by departments	855,460
Use of free cash (fund balance) as a funding source	(1,487,875)
Difference between current year encumbrances to be spent	
in the subsequent year and prior year encumbrances	
spent in the current year	(258,473)
Reverse GAAP accruals	(100,242)
Other uses raised in the current year	81,011
Paydown of refunded debt	(3,267,000)
Interest and premium on refunded bonds	(96,765)
Change in Stabilization fund	506,107
Major fund - FEMA tropical storm Irene expenditures in excess	
of revenues and transfers in	(2,446,889)
Major fund - Virtual school fund revenues in excess of	
expenditures and transfers out	28,895
Special revenue, trust fund and capital project fund expenditures	
and transfers out in excess of revenues, bond proceeds and	
transfers in	<u>(144,855)</u>
Total	<u>\$ (2,613,007)</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 \$ 1,649,212 while total fund balance was \$ 3,641,448. 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>2012</u>	<u>2011</u>	<u>Change</u>	<u>% of Total 2012 General Fund Expenditures</u>
Unassigned fund balance	\$ 1,649,212	\$ 1,947,004	\$ (297,792)	3.3%
Total fund balance	3,641,448	3,691,606	(50,158)	7.4%

The fund balance of the general fund changed by \$ (50,158) during the current fiscal year. Key elements of this change are as follows:

	<u>Fund Balance General Fund</u>
General Fund Operating Results:	
Shortfall of tax collections compared to budget	\$ (279,316)
State and local revenues over budget, which includes \$3,379,448 of proceeds from MSBA for debt refunding	3,996,935
Budgetary appropriations unspent by departments	855,460
Use of free cash (fund balance) as a funding source	(1,487,875)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	(258,473)
Reverse GAAP accruals	(100,242)
Other uses raised in the current year	81,011
Paydown of refunded debt	(3,267,000)
Interest and premium on refunded bonds	(96,765)
Change in Stabilization fund	<u>506,107</u>
Total	<u>\$ (50,158)</u>

Included in the total general fund balance is the Town's stabilization fund with the following balance:

	<u>06/30/12</u>	<u>06/30/11</u>	<u>Change</u>
Stabilization fund	\$ 1,854,250	\$ 1,348,143	\$ 506,107

**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 assets of the enterprise funds at the end of the year amounted to \$ 2,356,571. 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 \$ 484,000. Major reasons for these amendments include:

- \$196,000 increase in the Mayor's office budget.
- \$108,375 increase in the Police department budget.
- \$ 7,500 increase in the Library department budget.
- \$ 51,125 increase in Employee benefits budget.
- \$100,000 transfer to the Stabilization fund.
- \$ 21,000 transfer to a Capital project fund.

Of this increase, \$ 357,875 was funded through the use of surplus (free cash and additional state aid) and \$ 126,125 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 \$ 56,413,868 (net of accumulated depreciation), a change of \$ 737,602 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 of \$ (3,020,662).
- Depreciation expense – water fund of \$ (174,137).
- Depreciation expense – sewer fund of \$ (326,730).
- Construction in progress additions of \$ 3,222,337.
- Infrastructure improvements for governmental activities of \$ 321,103.
- Buildings and improvements for governmental activities of \$ 183,684.
- Machinery, equipment and furnishing additions for governmental activities of \$ 532,007.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 20,198,440, 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. Lane Kelly, Finance Director  
Ms. Elizabeth Braccia, Town Accountant  
Town of Greenfield  
14 Court Square  
Greenfield, MA 01301

TOWN OF GREENFIELD, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 14,222,444	\$ 1,637,563	\$ 15,860,007
Investments	48,692	-	48,692
Receivables, net of allowance for uncollectibles:			
Property taxes	487,676	-	487,676
Excises	151,488	-	151,488
User fees	383,593	1,960,761	2,344,354
Departmental and other	1,099,245	-	1,099,245
Intergovernmental	443,767	-	443,767
Deferred loss on early retirement of debt	33,500	3,650	37,150
Other asset	4,639	-	4,639
Noncurrent:			
Tax liens and foreclosures, net of allowance for uncollectible	1,430,503	121,281	1,551,784
Deferred loss on early retirement of debt, net of current portion	234,500	25,550	260,050
Land and construction in progress	16,008,802	309,522	16,318,324
Capital assets, net of accumulated depreciation	<u>25,452,002</u>	<u>14,643,542</u>	<u>40,095,544</u>
<b>TOTAL ASSETS</b>	<b>60,000,851</b>	<b>18,701,869</b>	<b>78,702,720</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,331,284	112,573	1,443,857
Accounts payable	3,104,028	-	3,104,028
Accrued payroll and withholdings	1,324,197	28,299	1,352,496
Accrued interest payable	138,168	55,788	193,956
Tax refunds payable	66,038	-	66,038
Deferred revenue	12,441	-	12,441
Notes payable	5,470,000	-	5,470,000
Other current liabilities	24,738	-	24,738
Current portion of long-term liabilities:			
Bonds payable	2,296,120	758,831	3,054,951
Landfill closure	22,050	-	22,050
Noncurrent:			
Bonds payable, net of current portion	11,211,547	5,931,942	17,143,489
Landfill closure, net of current portion	286,650	-	286,650
Accrued compensated absences	1,839,185	168,105	2,007,290
Net OPEB obligation	<u>18,258,568</u>	<u>1,027,469</u>	<u>19,286,037</u>
<b>TOTAL LIABILITIES</b>	<b>45,385,014</b>	<b>8,083,007</b>	<b>53,468,021</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	26,148,000	8,262,291	34,410,291
Restricted for:			
Grants and other statutory restrictions	1,915,636	-	1,915,636
Permanent funds:			
Nonexpendable	48,692	-	48,692
Expendable	349,231	-	349,231
Unrestricted	<u>(13,845,722)</u>	<u>2,356,571</u>	<u>(11,489,151)</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>14,615,837</u></b>	<b>\$ <u>10,618,862</u></b>	<b>\$ <u>25,234,699</u></b>

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</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	\$ 5,122,279	\$ 1,195,787	\$ 1,822,325	\$ 150,571	\$ (1,953,596)	\$ -	\$ (1,953,596)
Public safety	6,390,189	1,575,754	263,854	-	(4,550,581)	-	(4,550,581)
Education	30,720,039	2,767,183	20,063,489	1,352,154	(6,537,213)	-	(6,537,213)
Public works	7,242,031	774,174	4,482	587,362	(5,876,013)	-	(5,876,013)
Health and human services	4,278,136	186,166	3,737,266	1,264	(353,440)	-	(353,440)
Culture and recreation	1,048,945	180,094	98,664	-	(770,187)	-	(770,187)
Employee benefits	14,440,841	-	-	-	(14,440,841)	-	(14,440,841)
Interest	825,046	-	-	-	(825,046)	-	(825,046)
Intergovernmental	3,671,229	-	-	-	(3,671,229)	-	(3,671,229)
Total Governmental Activities	73,738,735	6,679,158	25,990,080	2,091,351	(38,978,146)	-	(38,978,146)
<b>Business-Type Activities:</b>							
Water operations	1,627,076	1,738,926	-	-	-	111,850	111,850
Sewer operations	2,207,215	2,323,353	-	144,228	-	260,366	260,366
Total Business-Type Activities	3,834,291	4,062,279	-	144,228	-	372,216	372,216
Total All Activities	\$ 77,573,026	\$ 10,741,437	\$ 25,990,080	\$ 2,235,579	(38,978,146)	372,216	(38,605,930)
<b>General Revenues:</b>							
Property taxes					25,234,017	-	25,234,017
Excises					1,413,521	-	1,413,521
Penalties, interest and other taxes					895,359	-	895,359
Grants and contributions not restricted to specific programs					6,064,751	-	6,064,751
Investment income					33,109	2,075	35,184
Miscellaneous					366,733	206,307	573,040
Transfers, net					85,563	(100,000)	(14,437)
Total general revenues and transfers					34,093,053	108,382	34,201,435
Change in Net Assets					(4,885,093)	480,598	(4,404,495)
<b>Net Assets:</b>							
Beginning of year					19,500,930	10,138,264	29,639,194
End of year					\$ 14,615,837	\$ 10,618,862	\$ 25,234,699

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	FEMA Tropical Storm <u>Irene</u>	<u>Virtual School</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 5,284,328	\$ 991,858	\$ 2,086,735	\$ 5,859,523	\$ 14,222,444
Investments	-	-	-	48,692	48,692
Receivables:					
Property taxes	565,406	-	-	-	565,406
Excises	271,210	-	-	-	271,210
Departmental and other	776,407	-	-	763,386	1,539,793
Intergovernmental	60,230	81,282	-	302,255	443,767
Tax liens and foreclosures	1,761,206	-	-	-	1,761,206
Other asset	-	-	-	4,639	4,639
<b>TOTAL ASSETS</b>	<b><u>\$ 8,718,787</u></b>	<b><u>\$ 1,073,140</u></b>	<b><u>\$ 2,086,735</u></b>	<b><u>\$ 6,978,495</u></b>	<b><u>\$ 18,857,157</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	\$ 653,922	\$ 274,400	\$ 6,065	\$ 396,897	\$ 1,331,284
Accounts payable	-	25,629	2,002,399	1,076,000	3,104,028
Accrued payroll and withholdings	1,060,216	-	9,170	254,811	1,324,197
Tax refund payable	66,038	-	-	-	66,038
Deferred revenue	3,276,768	-	-	150,383	3,427,151
Notes payable	-	3,220,000	-	2,250,000	5,470,000
Other current liabilities	20,395	-	-	4,343	24,738
<b>TOTAL LIABILITIES</b>	<b>5,077,339</b>	<b>3,520,029</b>	<b>2,017,634</b>	<b>4,132,434</b>	<b>14,747,436</b>
Fund Balances:					
Nonspendable	-	-	-	48,692	48,692
Restricted	-	-	69,101	5,543,534	5,612,635
Committed	1,854,250	-	-	54,240	1,908,490
Assigned	137,986	-	-	-	137,986
Unassigned	1,649,212	(2,446,889)	-	(2,800,405)	(3,598,082)
<b>TOTAL FUND BALANCES</b>	<b><u>3,641,448</u></b>	<b><u>(2,446,889)</u></b>	<b><u>69,101</u></b>	<b><u>2,846,061</u></b>	<b><u>4,109,721</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 8,718,787</u></b>	<b><u>\$ 1,073,140</u></b>	<b><u>\$ 2,086,735</u></b>	<b><u>\$ 6,978,495</u></b>	<b><u>\$ 18,857,157</u></b>

See notes to financial statements.

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

JUNE 30, 2012

<b>Total Governmental Fund Balances</b>	\$	4,109,721
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>		41,460,804
<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>		2,829,600
<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>		(138,168)
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, landfill closure, accrued compensated absences, and net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>		(33,914,120)
<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>		<u>268,000</u>
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u><u>14,615,837</u></u></b>

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	FEMA Tropical Storm <u>Irene</u>	Virtual <u>School</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 25,050,174	\$ -	\$ -	\$ -	\$ 25,050,174
Excises	1,445,853	-	-	-	1,445,853
Penalties, interest and other taxes	895,359	-	-	-	895,359
Charges for services	1,338,202	839,876	2,259,801	2,150,898	6,588,777
Intergovernmental and contributions	22,774,641	-	-	10,531,665	33,306,306
Licenses and permits	449,979	-	-	31,756	481,735
Fines and forfeitures	368,017	-	-	30,255	398,272
Investment income	28,254	-	-	4,855	33,109
Miscellaneous	265,481	-	-	101,252	366,733
	<u>52,615,960</u>	<u>839,876</u>	<u>2,259,801</u>	<u>12,850,681</u>	<u>68,566,318</u>
Total Revenues					
<b>Expenditures:</b>					
Current:					
General government	3,402,866	-	-	1,957,659	5,360,525
Public safety	5,253,481	34,957	-	988,888	6,277,326
Education	20,799,638	-	2,191,730	7,932,533	30,923,901
Public works	2,272,984	3,351,808	-	2,119,160	7,743,952
Health and human services	965,465	-	-	3,317,403	4,282,868
Culture and recreation	629,232	-	-	361,761	990,993
Employee benefits	9,480,073	-	-	80,372	9,560,445
Debt service	2,778,563	-	-	3,721	2,782,284
Intergovernmental	3,671,229	-	-	-	3,671,229
	<u>49,253,531</u>	<u>3,386,765</u>	<u>2,191,730</u>	<u>16,761,497</u>	<u>71,593,523</u>
Total Expenditures					
Excess (deficiency) of revenues over expenditures	3,362,429	(2,546,889)	68,071	(3,910,816)	(3,027,205)
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	-	-	-	3,692,400	3,692,400
Proceeds of current refunding	281,000	-	-	-	281,000
Payments to refunding agent	(3,644,765)	-	-	-	(3,644,765)
Transfers in	531,615	100,000	-	653,598	1,285,213
Transfers out	(580,437)	-	(39,176)	(580,037)	(1,199,650)
	<u>(3,412,587)</u>	<u>100,000</u>	<u>(39,176)</u>	<u>3,765,961</u>	<u>414,198</u>
Total Other Financing Sources (Uses)					
Change in fund balance	(50,158)	(2,446,889)	28,895	(144,855)	(2,613,007)
Fund Equity, at Beginning of Year, as reclassified	3,691,606	-	40,206	2,990,916	6,722,728
Fund Equity, at End of Year	<u>\$ 3,641,448</u>	<u>\$ (2,446,889)</u>	<u>\$ 69,101</u>	<u>\$ 2,846,061</u>	<u>\$ 4,109,721</u>

See notes to 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, 2012

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ (2,613,007)</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 border="0" style="margin-left: 40px;"> <tr> <td>Capital asset purchases</td> <td style="text-align: right;">3,588,123</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,020,662)</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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">201,760</td> </tr> </table> </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 assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of long-term debt</td> <td style="text-align: right;">(3,692,400)</td> </tr> <tr> <td>Repayments of long-term debt</td> <td style="text-align: right;">2,119,720</td> </tr> <tr> <td>Paydown of refunded debt</td> <td style="text-align: right;">3,267,000</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">17,090</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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(32,218)</td> </tr> </table> </li> <li>• Some expenses reported in the statement of activities, such as landfill closure, accrued compensated absences, and net OPEB obligation do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(4,686,999)</u></td> </tr> </table> </li> </ul>		Capital asset purchases	3,588,123	Depreciation	(3,020,662)		201,760	Issuance of long-term debt	(3,692,400)	Repayments of long-term debt	2,119,720	Paydown of refunded debt	3,267,000	Repayments of capital leases	17,090	Amortization of loss on early retirement of debt	(33,500)		(32,218)		<u>(4,686,999)</u>
Capital asset purchases	3,588,123																				
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	(32,218)																				
	<u>(4,686,999)</u>																				
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>(4,885,093)</u></b>																				

See notes to 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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 25,329,490	\$ 25,329,490	\$ 25,329,490	\$ -
Excises	1,297,000	1,297,000	1,445,853	148,853
Penalties, interest and other taxes	719,540	719,540	895,359	175,819
Charges for services	1,335,025	1,335,025	1,338,202	3,177
Intergovernmental and contributions	14,896,101	14,896,101	18,278,573	3,382,472
Licenses and permits	525,000	525,000	449,979	(75,021)
Fines and forfeitures	240,000	240,000	368,017	128,017
Investment income	15,000	15,000	23,147	8,147
Miscellaneous	100,000	100,000	265,481	165,481
Transfers in	419,500	545,625	605,615	59,990
Other sources	<u>1,130,000</u>	<u>1,487,875</u>	<u>1,487,875</u>	<u>-</u>
Total Revenues and Other Sources	46,006,656	46,490,656	50,487,591	3,996,935
<b>Expenditures and Other Uses:</b>				
General government	3,343,600	3,498,507	3,347,555	150,952
Public safety	5,140,374	5,289,842	5,222,706	67,136
Education	16,129,450	16,129,450	16,076,410	53,040
Public works	2,359,501	2,359,501	2,242,752	116,749
Health and human services	969,989	969,989	965,465	4,524
Culture and recreation	631,661	639,161	629,043	10,118
Employee benefits	9,688,400	9,739,525	9,480,073	259,452
Debt service	2,806,000	2,806,000	2,763,515	42,485
Intergovernmental	3,836,670	3,836,670	3,671,229	165,441
Transfers out	1,020,000	1,141,000	1,155,437	(14,437)
Other uses	<u>81,011</u>	<u>81,011</u>	<u>81,011</u>	<u>-</u>
Total Expenditures and Other Uses	<u>46,006,656</u>	<u>46,490,656</u>	<u>45,635,196</u>	<u>855,460</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,852,395</u>	\$ <u>4,852,395</u>

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds		Total Business-Type Activities
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 672,675	\$ 964,888	\$ 1,637,563
User fees receivable, net of allowance for uncollectible	850,186	1,110,575	1,960,761
Deferred loss on early retirement of debt	<u>3,650</u>	<u>-</u>	<u>3,650</u>
Total current assets	1,526,511	2,075,463	3,601,974
Noncurrent:			
Tax liens, net of allowance for uncollectible	49,749	71,532	121,281
Deferred loss on early retirement of debt, net of current portion	25,550	-	25,550
Land and construction in progress	38,964	270,558	309,522
Capital assets, net of accumulated depreciation	<u>4,793,563</u>	<u>9,849,979</u>	<u>14,643,542</u>
<b>TOTAL ASSETS</b>	6,434,337	12,267,532	18,701,869
<b><u>LIABILITIES</u></b>			
Current:			
Warrants payable	42,477	70,096	112,573
Accrued payroll	13,123	15,176	28,299
Accrued interest payable	24,241	31,547	55,788
Current portion of long-term liabilities:			
Bonds payable	<u>332,400</u>	<u>426,431</u>	<u>758,831</u>
Total current liabilities	412,241	543,250	955,491
Noncurrent:			
Bonds payable, net of current portion	1,634,000	4,297,942	5,931,942
Accrued compensated absences	93,108	74,997	168,105
Net OPEB obligation	<u>491,913</u>	<u>535,556</u>	<u>1,027,469</u>
Total noncurrent liabilities	<u>2,219,021</u>	<u>4,908,495</u>	<u>7,127,516</u>
<b>TOTAL LIABILITIES</b>	2,631,262	5,451,745	8,083,007
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	2,866,127	5,396,164	8,262,291
Unrestricted	<u>936,948</u>	<u>1,419,623</u>	<u>2,356,571</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,803,075</u>	<u>\$ 6,815,787</u>	<u>\$ 10,618,862</u>

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities		Total Business-Type Activities
	Enterprise Funds		
	Water Fund	Sewer Fund	
<b>Operating Revenues:</b>			
Charges for services	\$ 1,752,677	\$ 2,515,909	\$ 4,268,586
Total Operating Revenues	1,752,677	2,515,909	4,268,586
<b>Operating Expenses:</b>			
Salaries and wages	730,808	838,572	1,569,380
Operating expenses	631,974	951,496	1,583,470
Depreciation	174,137	326,730	500,867
Total Operating Expenses	1,536,919	2,116,798	3,653,717
Operating Income	215,758	399,111	614,869
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	-	144,228	144,228
Interest income	586	1,489	2,075
Interest expense	(90,157)	(90,417)	(180,574)
Total Nonoperating Revenues (Expenses), Net	(89,571)	55,300	(34,271)
Change in Net Assets, before transfers	126,187	454,411	580,598
Transfers out	(56,000)	(44,000)	(100,000)
Change in Net Assets, after transfers	70,187	410,411	480,598
Net Assets at Beginning of Year	3,732,888	6,405,376	10,138,264
Net Assets at End of Year	\$ 3,803,075	\$ 6,815,787	\$ 10,618,862

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		Total Business-Type Activities
	Water Fund	Sewer Fund	
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 1,707,404	\$ 2,474,330	\$ 4,181,734
Payments to vendors and employees	<u>(1,329,653)</u>	<u>(1,662,764)</u>	<u>(2,992,417)</u>
Net Cash Provided By Operating Activities	377,751	811,566	1,189,317
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Intergovernmental subsidy	-	144,228	144,228
Transfer out	<u>(56,000)</u>	<u>(44,000)</u>	<u>(100,000)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(56,000)	100,228	44,228
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition, disposal and construction of capital assets	(154,168)	(516,841)	(671,009)
Refund of prior year invoice over-payment	-	288,221	288,221
Issuance (repayment) of short-term debt	-	(164,000)	(164,000)
Issuance/ refunding of bonds	433,400	540,000	973,400
Principal payments on bonds	(269,000)	(578,691)	(847,691)
Interest expense	<u>(74,369)</u>	<u>(95,080)</u>	<u>(169,449)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(64,137)</u>	<u>(526,391)</u>	<u>(590,528)</u>
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>586</u>	<u>1,489</u>	<u>2,075</u>
Net Cash Provided By Investing Activities	<u>586</u>	<u>1,489</u>	<u>2,075</u>
Net Change in Cash and Short-Term Investments	258,200	386,892	645,092
Cash and Short-Term Investments, Beginning of Year	<u>414,475</u>	<u>577,996</u>	<u>992,471</u>
Cash and Short-Term Investments, End of Year	<u>\$ 672,675</u>	<u>\$ 964,888</u>	<u>\$ 1,637,563</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>			
Operating income	\$ 215,758	\$ 399,111	\$ 614,869
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	174,137	326,730	500,867
Changes in assets and liabilities:			
User fees receivable	(45,273)	(41,579)	(86,852)
Warrants payable	(33,010)	14,320	(18,690)
Accrued payroll	(18,349)	(9,466)	(27,815)
Accrued compensated absences	2,148	11,321	13,469
Net OPEB obligation	<u>82,340</u>	<u>111,129</u>	<u>193,469</u>
Net Cash Provided By Operating Activities	<u>\$ 377,751</u>	<u>\$ 811,566</u>	<u>\$ 1,189,317</u>

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose <u>Trust Funds</u>	Agency <u>Funds</u>	Pension Trust Fund (As of <u>December 31, 2011</u> )
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 376,737	\$ 161,275	\$ 506,025
Investments	9,194	-	44,090,522
Accounts receivable	-	-	<u>39,731</u>
Total Assets	385,931	161,275	44,636,278
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Warrants payable	212	4,322	-
Accrued payroll	-	1,306	-
Deferred revenue	-	-	974,956
Other liabilities	-	<u>155,647</u>	<u>-</u>
Total Liabilities	<u>212</u>	<u>161,275</u>	<u>974,956</u>
<b><u>NET ASSETS</u></b>			
Total net assets held in trust for pension benefits and other purposes	<u>\$ 385,719</u>	<u>\$ -</u>	<u>\$ 43,661,322</u>

See notes to financial statements.

TOWN OF GREENFIELD, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>	<u>Pension Trust Fund (For the Year Ended December 31, 2011)</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ -	\$ 2,896,266
Other systems and Commonwealth of Massachusetts	-	258,777
Plan members	-	1,450,159
Contributions	<u>25</u>	<u>-</u>
Total contributions	25	4,605,202
Investment Income:		
Interest and dividends	1,062	1,368,105
Realized gain on sale of investments	-	1,361,150
Decrease in fair value of investments	-	(2,545,663)
Less: Management fees	<u>-</u>	<u>(222,487)</u>
Net investment income	<u>1,062</u>	<u>(38,895)</u>
Total additions	1,087	4,566,307
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	-	4,520,925
Reimbursements to other systems	-	237,749
Refunds to plan members	-	341,766
Administrative expenses	-	121,513
Scholarships	<u>11,962</u>	<u>-</u>
Total deductions	<u>11,962</u>	<u>5,221,953</u>
Net increase (decrease), before transfers	(10,875)	(655,646)
Transfer in	<u>14,437</u>	<u>-</u>
Net increase (decrease), after transfers	3,562	(655,646)
<b>Net assets:</b>		
Beginning of year	<u>382,157</u>	<u>44,316,968</u>
End of year	<u>\$ 385,719</u>	<u>\$ 43,661,322</u>

See notes to 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 government 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 2012, it was determined that no entities met the required GASB-39 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 assets 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 liabili-

ties of the current period. For this purpose, the government 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 government 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 *FEMA tropical storm Irene fund* accounts for the activity related to the disaster recovery and clean-up efforts for the August 27, 2011 tropical storm.
- The *virtual school fund* accounts for all activity related to the virtual school program, which is accounted for as a Special Revenue Revolving Fund by the Town. Under the program the Town acts as the host or sponsor for a virtual (internet based) school for which cities and towns in the commonwealth pay a fee for their students to attend. The Town contracts with a vendor to provide the school's services.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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.

#### 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 consist of certificates of deposit. 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 2012 tax levy reflected an excess capacity of \$ 593,884.

*G. 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 government 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.

Property, plant and equipment of the primary government is 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

*H. Compensated Absences*

It is the government’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, proprietary and fi-

duciary 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.

*I. 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 assets.

*J. 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 assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. 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 Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 assets are 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. All other net assets are reported as unrestricted.

K. 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)	\$ 52,615,960	\$ 49,253,531
Other financing sources/uses (GAAP basis)	<u>812,615</u>	<u>4,225,202</u>
Subtotal (GAAP Basis)	53,428,575	53,478,733
Remove the effect of adding Town's stabilization fund per GASB 54	68,893	575,000
Adjust tax revenue to accrual basis	279,316	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(396,459)
Add end of year appropriation carryforwards to expenditures	-	137,986
To reverse the effect of non-budgeted State contributions for teachers retirement	(4,496,068)	(4,496,068)
To reverse the effect of debt refunding	(281,000)	(3,644,765)
To reverse GAAP accruals	-	(100,242)
Recognize use of fund balance as funding source	1,487,875	-
Other uses raised in the current year	<u>-</u>	<u>81,011</u>
Budgetary basis	<u>\$ 50,487,591</u>	<u>\$ 45,635,196</u>

*D. Deficit Fund Equity*

The following funds had deficits as of June 30, 2012:

FEMA Tropical Storm Irene	\$ (2,446,889)
Police outside detail	(144,509)
Chapter 90	(7,830)
Fiscal year 2012 capital/borrowing articles	(571,728)
Upgrade Four Corners School	(734,828)
High School Feasibility Study	(1,268,450)
Unemployment compensation trust	(73,060)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**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, 2012, \$ 5,103,857 of the Town's bank balance of \$ 17,271,984 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. Of the Town's \$ 1,292,734 deposit in repurchase agreements, all of underlying securities are held by the investment's counterparty, not in the name of the Town.

As of December 31, 2011, none of the Contributory Retirement System's bank balance of \$ 608,141 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, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Town's investments of \$ 57,886 are comprised of certificates of deposit which are not subject to credit risk.

The System's investments of \$ 44,090,522\* 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 Town and System do not have policies for custodial credit risk.

The Town's investments consist of certificate of deposits which are fully insured and not exposed to custodial credit risk.

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

##### C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Greenfield Savings Bank CDs	\$ 57,886
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Massachusetts General Law Chapter 32, Section 23 limits the amount the 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. The Town and System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Town's investments consist of three certificates of deposit which all mature within 5 years.

Information about the sensitivity of the fair values of the 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. The Town and System do not have policies for foreign currency risk.

**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, 2012 consist of the following:

Real Estate			
2012	\$	470,991	
2008 and prior		<u>27,916</u>	
			498,907
Personal Property			
2012		7,552	
2011		4,180	
2010 and prior		<u>54,767</u>	
			<u>66,499</u>
Total	\$		<u><u>565,406</u></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	\$ 77,730	\$ -
Excises	119,722	-
Tax liens and foreclosures	330,703	14,770
User fees	56,955	87,248

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 46,934,186	\$ 183,684	\$ -	\$ 563,957	\$ 47,681,827
Machinery, equipment, and furnishings	7,219,023	472,595	-	-	7,691,618
Infrastructure	13,707,474	-	-	179,299	13,886,773
Total capital assets, being depreciated	67,860,683	656,279	-	743,256	69,260,218
Less accumulated depreciation for:					
Buildings and improvements	(28,029,497)	(1,932,119)	-	-	(29,961,616)
Machinery, equipment, and furnishings	(5,091,093)	(620,652)	-	-	(5,711,745)
Infrastructure	(7,666,964)	(467,891)	-	-	(8,134,855)
Total accumulated depreciation	(40,787,554)	(3,020,662)	-	-	(43,808,216)
Total capital assets, being depreciated, net	27,073,129	(2,364,383)	-	743,256	25,452,002
Capital assets, not being depreciated:					
Land	12,948,462	-	-	-	12,948,462
Construction in progress	871,753	2,931,843	-	(743,256)	3,060,340
Total capital assets, not being depreciated	13,820,215	2,931,843	-	(743,256)	16,008,802
Governmental activities capital assets, net	\$ 40,893,344	\$ 567,460	\$ -	\$ -	\$ 41,460,804
<b>Business-Type Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 9,431,098	\$ -	\$ -	\$ -	\$ 9,431,098
Machinery, equipment, and furnishings	637,076	59,412	-	-	696,488
Infrastructure	13,902,102 *	321,103	-	-	14,223,205
Total capital assets, being depreciated	23,970,276	380,515	-	-	24,350,791
Less accumulated depreciation for:					
Buildings and improvements	(2,214,402)	(187,750)	-	-	(2,402,152)
Machinery, equipment, and furnishings	(543,938)	(8,491)	-	-	(552,429)
Infrastructure	(6,448,042)	(304,626)	-	-	(6,752,668)
Total accumulated depreciation	(9,206,382)	(500,867)	-	-	(9,707,249)
Total capital assets being depreciated, net	14,763,894	(120,352)	-	-	14,643,542
Capital assets, not being depreciated:					
Construction in progress	19,028	290,494	-	-	309,522
Total capital assets, not being depreciated	19,028	290,494	-	-	309,522
Business-type activities capital assets, net	\$ 14,782,922	\$ 170,142	\$ -	\$ -	\$ 14,953,064

\* Prior year balances have been adjusted to reflect a reclassification between capital assets and other assets for a vendor over-payment of \$ 288,221.

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

Governmental Activities:	
General government	\$ 82,196
Public safety	350,270
Education	1,689,059
Public works	807,747
Culture and recreation	<u>91,390</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,020,662</u>
Business-Type Activities:	
Water	\$ 174,137
Sewer	<u>326,730</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 500,867</u>

**9. Warrants and Accounts Payable**

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law. Accounts payable represent additional 2012 expenditures paid after July 15, 2012.

**10. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to the total of all June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**11. Tax Refund Payable**

This balance consists of an estimate of a refund due to Verizon for the abatement of 2009 property tax, plus 8% interest, as of June 30, 2012. This case was recently decided in favor of Verizon by the State Appellate Tax Board.

**12. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2012:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2012</u>
<u>Governmental Activities:</u>				
Bond anticipation	1.00%	06/01/12	12/01/12	\$ 3,220,000
Bond anticipation	0.55%	06/01/12	05/31/13	875,000
Bond anticipation	0.48%	06/26/12	05/31/13	<u>1,375,000</u>
Total Governmental Activities				<u>\$ 5,470,000</u>

The following summarizes activity in notes payable during fiscal year 2012:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>3,039,900</u>	\$ <u>10,059,750</u>	\$ <u>(7,629,650)</u>	\$ <u>5,470,000</u>

### 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:

	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2012</u>
<u>Governmental Activities:</u>			
Multi-purpose 98	11/01/17	4.14	\$ 938,000
Title V (part I)	08/01/19	0.00	7,184
Multi-purpose 00	09/01/20	4.15	6,235,000
Title V (part II)	08/01/24	0.00	42,583
Multi-purpose 10	12/01/24	2.77	2,311,500
Multi-purpose 12	02/01/27	2.50	<u>3,973,400</u>
Total Governmental Activities			13,507,667
<u>Business-Type Activities:</u>			
Multi-purpose 98	11/01/12	4.14	2,000
Sewer inflow (MWPAT)	02/01/15	2.50	87,073
Wastewater treatment plant upgrade (MWPAT)	08/01/18	1.50	3,432,800
Multi-purpose 00	09/01/20	4.15	1,440,000
Multi-purpose 10	12/01/24	2.77	413,500
Multi-purpose 12	12/01/24	2.77	<u>1,315,400</u>
Total Business-Type Activities			<u>6,690,773</u>
Total All Debt			<u>\$ 20,198,440</u>

**B. State Revolving Loan**

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the States and are used by local communities to improve their sewer systems.

In 1995, the Town was authorized to borrow and obligated to repay a total of \$ 476,202 through the Massachusetts Water Pollution Abatement Trust (MWPAT) Revolving Loan Program to improve its sewer infiltration/inflow system. This loan is included in the Town's Sewer Enterprise Fund. As of June 30, 1997, the Town had received \$ 395,750 of this loan. The remaining loan balance of \$ 80,452 will never be received by the Town and was effectively de-obligated by MWPAT in fiscal year 1997.

In 1998, the Town was authorized to borrow and obligated to repay a total of \$ 9,361,300 to the MWPAT Revolving Loan Program to upgrade its wastewater treatment plant. This loan is included in the Town's Sewer Enterprise Fund. As of June 30, 2001, the Town had received \$ 8,793,800 of this loan. The remaining balance of \$ 567,500 will never be received by the Town and was effectively de-obligated by MWPAT in fiscal year 2001.

In addition to offering this loan at a reduced interest rate, MWPAT has also subsidized the loan principal as follows:

<u>Loan #97-55</u>	
Original loan	\$ 9,361,300
Net payments prior to loan adjustment	(877,542)
Less loan adjustment	<u>(465,658)</u>
Adjusted Loan	\$ <u>8,018,100</u>
Principal subsidy	\$ 1,679,449
Additional principal subsidy (due to MWPAT refunding)	245,569
Net repayment	<u>6,093,082</u>
Total Repayment	\$ <u>8,018,100</u>

**C. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,296,120	\$ 560,591	\$ 2,856,711
2014	2,052,720	358,648	2,411,368
2015	1,855,720	291,691	2,147,411
2016	1,698,146	233,908	1,932,054
2017	1,529,146	174,338	1,703,484
2018 - 2022	3,535,446	282,419	3,817,865
2023 - 2027	<u>540,369</u>	<u>41,664</u>	<u>582,033</u>
Total	<u>\$ 13,507,667</u>	<u>\$ 1,943,259</u>	<u>\$ 15,450,926</u>

  

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 758,831	\$ 249,275	\$ 1,008,106
2014	918,595	129,785	1,048,380
2015	905,147	103,920	1,009,067
2016	867,900	78,993	946,893
2017	852,600	56,345	908,945
2018 - 2022	2,161,700	103,244	2,264,944
2023 - 2027	<u>226,000</u>	<u>15,785</u>	<u>241,785</u>
Total	<u>\$ 6,690,773</u>	<u>\$ 737,347</u>	<u>\$ 7,428,120</u>

**D. Changes in General Long-Term Liabilities**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2012</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2012</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 15,148	\$ 3,973	\$ (5,613)	\$ 13,508	(2,296)	11,212
Other:						
Landfill closure	331	-	(22)	309	(22)	287
Capital lease	17	-	(17)	-	-	-
Accrued compensated absences	2,011	-	(172)	1,839	-	1,839
Net OPEB obligation	<u>13,378</u>	<u>4,881</u>	<u>-</u>	<u>18,259</u>	<u>-</u>	<u>18,259</u>
Totals	<u>\$ 30,885</u>	<u>\$ 8,854</u>	<u>\$ (5,824)</u>	<u>\$ 33,915</u>	<u>\$ (2,318)</u>	<u>\$ 31,597</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 6,565	\$ 1,316	\$ (1,190)	\$ 6,691	\$ (759)	\$ 5,932
Other:						
Accrued compensated absences	155	13	-	168	-	168
Net OPEB obligation	<u>834</u>	<u>193</u>	<u>-</u>	<u>1,027</u>	<u>-</u>	<u>1,027</u>
Totals	<u>\$ 7,554</u>	<u>\$ 1,522</u>	<u>\$ (1,190)</u>	<u>\$ 7,886</u>	<u>\$ (759)</u>	<u>\$ 7,127</u>

*E. Deferred Gain (Loss) on Early Retirement of Debt*

This balance represents the unamortized net decrease in long-term debt outstanding resulting from 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. The balances as of June 30, 2012 are \$ 268,000 and \$ 29,200 in the governmental and business-type activities, respectively.

*F. Current Debt Refunding*

In fiscal year 2012, the Town received a lump sum payment of \$ 3,379,448 from Massachusetts School Business Authority (MSBA) as a final settlement of prior years' school project costs, for which the Town had issued general obligation debt. In May 2012, the Town used \$ 3,285,000 of this lump sum payment and issued general obligation bonds in the amount of \$ 638,000 to refund (on a current basis) \$ 3,890,000 of term bonds. The refunding bonds have an average interest rate of 2.12%; the refunded term bonds had an average interest rate of 4.66%. The term bonds had maturity dates ranging from February 2023 to 2027 and were callable in February 2012.

The refunding bonds were issued at par and the proceeds, plus the total lump sum received from MSBA, were used to pay the redemption price of the refunded bonds \$ (3,938,900) on their last call date of June 29, 2012, plus interest of \$ 72,865. The refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the current refunding, the Town reduced its total debt service cash flow requirements by \$ 713,426, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 419,744.

None of the defeased debt was outstanding at June 30, 2012.

**14. 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 \$ 308,700 reported as post-closure care liability at June 30, 2012 represents annual monitoring costs of \$ 22,050 for the next 14 years. This amount is based on what it would cost to perform all post-closure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **15. Restricted Net Assets**

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

Permanent fund restricted net assets are 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.

#### **16. 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 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, 2012:

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. This fund balance classification includes capital reserve (stabilization) funds set aside by Town Meeting vote for future capital acquisitions and improvements and other funds set aside by the Town.

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 and deficit fund balances.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General Fund	FEMA Tropical Storm Irene	Virtual School	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 48,692	\$ 48,692
Total Nonexpendable	-	-	-	48,692	48,692
<b>Restricted</b>					
Bonded projects	-	-	-	756,370	756,370
Special revenue funds	-	-	69,101	4,437,933	4,507,034
Expendable permanent funds	-	-	-	349,231	349,231
Total Restricted	-	-	69,101	5,543,534	5,612,635
<b>Committed</b>					
Stablization fund	1,854,250	-	-	-	1,854,250
Town set-asides	-	-	-	54,240	54,240
Total Committed	1,854,250	-	-	54,240	1,908,490
<b>Assigned</b>					
Encumbrances	137,986	-	-	-	137,986
Total Assigned	137,986	-	-	-	137,986
<b>Unassigned</b>					
Unassigned	1,649,212	-	-	-	1,649,212
Deficit fund balances	-	(2,446,889)	-	(2,800,405)	(5,247,294)
Total Unassigned	1,649,212	(2,446,889)	-	(2,800,405)	(3,598,082)
Total Fund Balance	\$ 3,641,448	\$ (2,446,889)	\$ 69,101	\$ 2,846,061	\$ 4,109,721

**17. General Fund Unassigned Fund Balance**

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an accrual for tax refunds paid in the subsequent fiscal year, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 1,649,212
Overlay deficits	32,568
Tax refund payable	<u>66,038</u>
Statutory balance	<u>\$ 1,747,818</u>

**18. Subsequent Events**

Debt - Subsequent to June 30, 2012, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 1,000,000	0.50%	09/21/12	05/31/13
Bond anticipation note	2,521,250	0.50%	12/03/12	05/31/13
Bond anticipation note	1,250,000	0.50%	12/03/12	05/31/13
Bond anticipation note	2,000,000	0.58%	02/15/13	02/14/14

Lunt Property - The Town has been in negotiations in connection with three parcels of property in Town, known as the Lunt Property. The Town Council approved borrowing of \$ 1.5M in early June 2013 to purchase the property, however the Town is no longer pursuing this option. Instead, the Town is seeking the collection of back taxes, which has been complicated by the owner's bankruptcy proceedings. In addition, one of the parcels of land was found to be environmentally contaminated and the Town is currently seeking grants

to pursue remediation of this site. Due to the various conditions and circumstances related to this property, the current outcome and any associated costs cannot be determined at this time.

**19. 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.

**20. 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 assets over time.

**A. Plan Description**

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment health care 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,

2011, the actuarial valuation date, approximately 473 retirees and 418 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 2012 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, 2012, 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, 2011.

Annual Required Contribution (ARC)	\$ 7,508,600
Interest on net OPEB obligation	497,426
Adjustment to ARC	<u>(746,438)</u>
Annual OPEB cost	7,259,588
Contributions made	<u>(2,185,723)</u>
Increased in net OPEB obligation	5,073,865
Net OPEB obligation - beginning of year	<u>14,212,172</u>
Net OPEB obligation - end of year	<u><u>\$ 19,286,037</u></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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 7,259,588	30.1%	\$ 19,286,037
2011	\$ 7,236,298	32.8%	\$ 14,212,172
2010	\$ 7,295,249	36.6%	\$ 9,348,574

The Town's net OPEB obligation as of June 30, 2012 is recorded as a long-term liability in the accompanying statement of net assets.

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 73,932,800
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 73,932,800</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 18,545,000</u>
UAAL as a percentage of covered payroll	<u>399%</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.

*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, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 3.5% investment rate of return and an initial annual healthcare cost trend rate of 9% 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.

**21. Contributory Retirement System**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, (as amended by GASB 50) with respect to the employees' retirement funds.

**A. Plan Description and Contribution Information**

Substantially all employees of the Town of Greenfield are members of the Greenfield Contributory Retirement System (GCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the GCRS. 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 GCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The GCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	230
Terminated plan members entitled to but not yet receiving benefits	16
Active plan members	<u>381</u>
Total	<u><u>627</u></u>
Number of participating employers	3

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings 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%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 1,558,346	100%
2004	1,750,734	100%
2005	1,862,272	100%
2006	1,922,048	100%
2007	2,000,757	100%
2008	2,136,805	100%
2009	2,233,534	100%
2010	2,642,807	100%
2011	2,851,403	100%
2012	3,045,661	100%

**B. Summary of Significant Accounting Policies**

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

**C. Funded Status and Funding Progress**

The information presented below is from the Town's Contributory Retirement System's most recent valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2011	\$ 48,983,503	\$ 80,140,798	\$ 31,157,295	61.1%	\$ 13,872,127	224.6%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

*D. Actuarial Methods and Assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$ 31.2 million was calculated. The actuarial assumptions included (a) 8.0% investment rate of return and (b) a projected salary increase of between 4.75 – 5.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$ 14,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of January 1, 2011, the unfunded actuarially accrued liability is being amortized over 21 years using an open group method which assumes a 4.75 – 5.25% per year increase in payroll.

*E. Teachers*

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$ 4,496,068 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 22. 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.

## 23. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2012, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	2011 Capital Articles	Nonmajor Governmental Funds	Total
Fund balance 06/30/11 as previously stated	\$ (1,001,570)	\$ 3,992,486	\$ 2,990,916
Reclassification	<u>1,001,570</u>	<u>(1,001,570)</u>	<u>-</u>
Fund balance 06/30/11 as reclassified	\$ <u>-</u>	\$ <u>2,990,916</u>	\$ <u>2,990,916</u>

## 24. Implementation of New GASB Standards

The GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a signifi-

cant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Greenfield Contributory Retirement System's actuarially accrued liability.

**TOWN OF GREENFIELD, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
(Unaudited)  
(Amounts Expressed in Thousands)**

**Employees' Retirement System  
December 31, 2011**

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]
01/01/01	\$ 34,401	\$ 45,223	\$ 10,822	76.1%	\$ 11,319	95.6%
01/01/03	\$ 34,826	\$ 52,857	\$ 18,031	65.9%	\$ 11,668	154.5%
01/01/05	\$ 39,090	\$ 57,160	\$ 18,070	68.4%	\$ 11,674	154.8%
01/01/07	\$ 43,030	\$ 63,781	\$ 20,751	67.5%	\$ 12,158	170.7%
01/01/09	\$ 40,429	\$ 70,585	\$ 30,155	57.3%	\$ 12,842	234.8%
01/01/11	\$ 48,984	\$ 80,141	\$ 31,157	61.1%	\$ 13,872	224.6%

**Other Post-Employment Benefits  
June 30, 2012**

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]
07/01/08	\$ -	\$ 82,482	\$ 72,482	0.0%	N/A	N/A
07/01/09	\$ -	\$ 80,439	\$ 80,439	0.0%	\$ 20,900	385%
07/01/11	\$ -	\$ 73,933	\$ 73,933	0.0%	\$ 18,545	399%

See Independent Auditors' Report.