

TOWN OF GREENFIELD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

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Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

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

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Greenfield, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

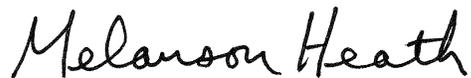
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

March 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Greenfield, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information

which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$43,362,382, (i.e., net position), a change of \$16,438,428 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,873,357, a change of \$22,786,490 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,771,768, a change of \$1,699,587 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$42,594,174, a change of \$25,450,685 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 34,405,545	\$ 19,945,183	\$ 3,947,613	\$ 3,617,822	\$ 38,353,158	\$ 23,563,005
Deferred outflows	201,000	234,500	21,900	25,550	222,900	260,050
Capital assets	<u>72,383,498</u>	<u>48,403,101</u>	<u>14,858,016</u>	<u>14,821,401</u>	<u>87,241,514</u>	<u>63,224,502</u>
Total assets and deferred outflows	106,990,043	68,582,784	18,827,529	18,464,773	125,817,572	87,047,557
Long-term liabilities outstanding	64,221,021	34,716,379	7,049,666	7,219,252	71,270,687	41,935,631
Deferred inflows	1,120,286	754,839	-	-	1,120,286	754,839
Other liabilities	<u>9,552,584</u>	<u>17,202,622</u>	<u>511,633</u>	<u>230,511</u>	<u>10,064,217</u>	<u>17,433,133</u>
Total liabilities and deferred inflows	74,893,891	52,673,840	7,561,299	7,449,763	82,455,190	60,123,603
Net position:						
Net investment in capital assets	47,454,146	29,845,991	8,975,182	8,999,944	56,429,328	38,845,935
Restricted	3,723,019	2,268,761	-	-	3,723,019	2,268,761
Unrestricted	<u>(19,081,013)</u>	<u>(16,205,808)</u>	<u>2,291,048</u>	<u>2,015,066</u>	<u>(16,789,965)</u>	<u>(14,190,742)</u>
Total net position	<u>\$ 32,096,152</u>	<u>\$ 15,908,944</u>	<u>\$ 11,266,230</u>	<u>\$ 11,015,010</u>	<u>\$ 43,362,382</u>	<u>\$ 26,923,954</u>

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,460,785	\$ 6,632,082	\$ 3,956,275	\$ 4,055,776	\$ 8,417,060	\$ 10,687,858
Operating grants and contributions	29,571,192	25,588,436	-	-	29,571,192	25,588,436
Capital grants and contributions	19,196,329	5,404,183	133,693	-	19,330,022	5,404,183
General revenues:						
Property taxes	26,785,442	27,031,594	-	-	26,785,442	27,031,594
Excises	1,374,569	1,460,446	-	-	1,374,569	1,460,446
Penalties, interest and other taxes	957,416	868,794	-	-	957,416	868,794
Grants and contributions not restricted to specific programs	2,748,778	2,685,303	-	-	2,748,778	2,685,303
Investment income	48,625	9,798	1,611	2,050	50,236	11,848
Miscellaneous	1,320,681	283,416	17,393	78,866	1,338,074	362,282
Total revenues	86,463,817	69,964,052	4,108,972	4,136,692	90,572,789	74,100,744
Expenses:						
General government	5,432,454	5,281,650	-	-	5,432,454	5,281,650
Public safety	6,499,230	6,329,457	-	-	6,499,230	6,329,457
Education	29,684,679	29,256,105	-	-	29,684,679	29,256,105
Public works	4,856,869	5,354,267	-	-	4,856,869	5,354,267
Health and human services	4,053,057	3,720,468	-	-	4,053,057	3,720,468
Culture and recreation	1,132,149	1,055,120	-	-	1,132,149	1,055,120
Employee benefits	13,852,800	13,078,728	-	-	13,852,800	13,078,728
Interest	703,090	457,907	-	-	703,090	457,907
Intergovernmental	3,860,811	3,940,724	-	-	3,860,811	3,940,724
Water operations	-	-	1,659,478	1,524,629	1,659,478	1,524,629
Sewer operations	-	-	2,176,370	2,337,434	2,176,370	2,337,434
Total expenses	70,075,139	68,474,426	3,835,848	3,862,063	73,910,987	72,336,489
Change in net position, before transfers	16,388,678	1,489,626	273,124	274,629	16,661,802	1,764,255
Transfers, net	(201,470)	(146,519)	(21,904)	121,519	(223,374)	(25,000)
Change in net position, after transfers	16,187,208	1,343,107	251,220	396,148	16,438,428	1,739,255
Net position - beginning of year	15,908,944	14,565,837	11,015,010	10,618,862	26,923,954	25,184,699
Net position - end of year	\$ 32,096,152	\$ 15,908,944	\$ 11,266,230	\$ 11,015,010	\$ 43,362,382	\$ 26,923,954

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$43,362,382, a change of \$16,438,428 from the prior year.

A large portion of net position, \$56,429,328 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,723,019 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(19,081,013) (governmental) and \$2,291,048 (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 position of \$16,187,208. Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 355,340
State and local revenues over budget	1,436,634
Budgetary appropriations unspent by departments	1,084,537
Use of free cash (fund balance) as a funding source	(1,723,401)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	90,349
Other uses raised in the current year	51,664
Change in Stabilization funds	494,813
Major fund - FEMA tropical storm Irene revenues in excess of expenditures	1,011,793
Major fund - High school construction revenues and bond proceeds in excess of expenditures	14,015,046
Special revenue, trust fund and capital project fund revenues, bond proceeds and transfers in in excess of expenditures and transfers out	5,969,715
Depreciation expense in excess of principal debt service	(935,697)
Net OPEB obligation liability increase	(3,820,742)
Other timing differences	(1,842,843)
Total	<u>\$ 16,187,208</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$251,220. Key elements of this change are as follows:

Water enterprise	\$ 26,164
Sewer enterprise	<u>225,056</u>
Total	<u>\$ 251,220</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 \$21,873,357, a change of \$22,786,490 in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>Governmental Funds</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 355,340
State and local revenues over budget	1,436,634
Budgetary appropriations unspent by departments	1,084,537
Use of free cash (fund balance) as a funding source	(1,723,401)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	90,349
Other uses raised in the current year	51,664
Change in Stabilization funds	494,813
Major fund - FEMA tropical storm Irene revenues in excess of expenditures	1,011,793
Major fund - High school construction revenues and bond proceeds in excess of expenditures	14,015,046
Special revenue, trust fund and capital project fund revenues, bond proceeds and transfers in in excess of expenditures and transfers out	<u>5,969,715</u>
Total	<u>\$ 22,786,490</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 \$5,771,768 while total fund

balance was \$6,024,836. 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>2014</u>	<u>2013</u>	<u>Change</u>	<u>% of Total 2014 General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 5,771,768	\$ 4,072,181	\$ 1,699,587	11.1%
Total fund balance	6,024,836	4,234,900	1,789,936	11.6%

¹ Includes Stabilization funds.

The fund balance of the general fund changed by \$1,789,936 during the current fiscal year. Key elements of this change are as follows:

	<u>Fund Balance General Fund</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 355,340
State and local revenues over budget	1,436,634
Budgetary appropriations unspent by departments	1,084,537
Use of free cash (fund balance) as a funding source	(1,723,401)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	90,349
Other uses raised in the current year	51,664
Change in Stabilization funds	<u>494,813</u>
Total	<u>\$ 1,789,936</u>

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

	<u>06/30/14</u>	<u>06/30/13</u>	<u>Change</u>
Stabilization fund	\$ 1,301,377	\$ 1,204,926	\$ 96,451
Capital stabilization fund	360,651	242,811	117,840
Contractual agreements stabilization fund	<u>431,300</u>	<u>150,778</u>	<u>280,522</u>
Total stabilization funds	<u>\$ 2,093,328</u>	<u>\$ 1,598,515</u>	<u>\$ 494,813</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,291,048. 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 \$1,723,401. Major reasons for these amendments include:

- \$40,000 increase in the Treasurer's department budget.
- \$78,000 increase in the Dispatch department budget.
- \$50,000 increase in the Information Systems department budget.
- \$30,000 increase in the legal budget.
- \$20,000 increase in Building department budget.
- \$1,300,000 transfer to stabilization funds.
- \$5,401 transfer to a special revenue fund.
- \$50,000 transfer to a capital project fund.
- \$150,000 transfer to the OPEB trust fund.

All of this increase was funded through the use of free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$87,241,514 (net of accumulated depreciation), a change of \$24,017,012 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 \$(2,988,417).
- Depreciation expense – water fund of \$(210,590).
- Depreciation expense – sewer fund of \$(406,111).
- High school construction project costs of \$25,118,774.
- Installation of LED street lights of \$112,527.
- Upgrades and improvements to Town buildings of \$140,794.
- Purchase of public safety vehicles and equipment of \$231,884.

- Improvements to Town sidewalks of \$175,409.
- Parking lot improvements of \$412,337.
- Water main improvements of \$52,590.
- Sewer line improvements of \$98,090.
- Purchase of water and sewer department vehicles of \$502,636.
- Other fixed asset additions of \$777,089.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$42,594,174, 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 POSITION
JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 15,446,832	\$ 2,002,955	\$ 17,449,787
Investments	11,396,223	-	11,396,223
Receivables, net of allowance for uncollectibles:			
Property taxes	491,108	-	491,108
Excises	131,114	-	131,114
User fees	-	1,831,510	1,831,510
Departmental and other	1,373,931	-	1,373,931
Intergovernmental	3,531,122	-	3,531,122
Loans	1,073,872	-	1,073,872
Noncurrent:			
Tax liens, net of allowance for uncollectible	961,343	113,148	1,074,491
Land and construction in progress	44,148,101	18,527	44,166,628
Capital assets, net of accumulated depreciation	28,235,397	14,839,489	43,074,886
DEFERRED OUTFLOWS OF RESOURCES	<u>201,000</u>	<u>21,900</u>	<u>222,900</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OR RESOURCES	106,990,043	18,827,529	125,817,572
LIABILITIES			
Current:			
Warrants payable	3,425,565	52,198	3,477,763
Accounts payable	192,565	-	192,565
Accrued payroll and withholdings	1,606,477	32,565	1,639,042
Accrued interest payable	358,794	46,870	405,664
Notes payable	3,937,250	380,000	4,317,250
Other current liabilities	31,933	-	31,933
Current portion of long-term liabilities:			
Bonds payable	2,879,720	948,147	3,827,867
Capital lease	50,038	-	50,038
Landfill closure	22,050	-	22,050
Noncurrent:			
Bonds payable, net of current portion	34,123,107	4,643,200	38,766,307
Capital lease, net of current portion	51,772	-	51,772
Landfill closure, net of current portion	242,550	-	242,550
Accrued compensated absences	1,421,309	130,978	1,552,287
Net OPEB obligation	25,430,475	1,327,341	26,757,816
DEFERRED INFLOWS OF RESOURCES	<u>1,120,286</u>	<u>-</u>	<u>1,120,286</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	74,893,891	7,561,299	82,455,190
NET POSITION			
Net investment in capital assets	47,454,146	8,975,182	56,429,328
Restricted for:			
Grants and other statutory restrictions	3,323,529	-	3,323,529
Permanent funds:			
Nonexpendable	49,031	-	49,031
Expendable	350,459	-	350,459
Unrestricted	<u>(19,081,013)</u>	<u>2,291,048</u>	<u>(16,789,965)</u>
TOTAL NET POSITION	<u>\$ 32,096,152</u>	<u>\$ 11,266,230</u>	<u>\$ 43,362,382</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 5,432,454	\$ 1,160,574	\$ 2,749,938	\$ -	\$ (1,521,942)	\$ -	\$ (1,521,942)
Public safety	6,499,230	1,775,495	346,334	-	(4,377,401)	-	(4,377,401)
Education	29,684,679	409,348	22,891,518	18,182,680	11,798,867	-	11,798,867
Public works	4,856,869	789,776	7,454	1,013,649	(3,045,990)	-	(3,045,990)
Health and human services	4,053,057	122,684	3,493,353	-	(437,020)	-	(437,020)
Culture and recreation	1,132,149	202,908	82,595	-	(846,646)	-	(846,646)
Employee benefits	13,852,800	-	-	-	(13,852,800)	-	(13,852,800)
Interest	703,090	-	-	-	(703,090)	-	(703,090)
Intergovernmental	<u>3,860,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,860,811)</u>	<u>-</u>	<u>(3,860,811)</u>
Total Governmental Activities	70,075,139	4,460,785	29,571,192	19,196,329	(16,846,833)	-	(16,846,833)
Business-Type Activities:							
Water operations	1,659,478	1,693,973	-	-	-	34,495	34,495
Sewer operations	<u>2,176,370</u>	<u>2,262,302</u>	<u>-</u>	<u>133,693</u>	<u>-</u>	<u>219,625</u>	<u>219,625</u>
Total Business-Type Activities	<u>3,835,848</u>	<u>3,956,275</u>	<u>-</u>	<u>133,693</u>	<u>-</u>	<u>254,120</u>	<u>254,120</u>
Total All Activities	<u>\$ 73,910,987</u>	<u>\$ 8,417,060</u>	<u>\$ 29,571,192</u>	<u>\$ 19,330,022</u>	<u>(16,846,833)</u>	<u>254,120</u>	<u>(16,592,713)</u>
General Revenues:							
Property taxes					26,785,442	-	26,785,442
Excises					1,374,569	-	1,374,569
Penalties, interest and other taxes					957,416	-	957,416
Grants and contributions not restricted to specific programs					2,748,778	-	2,748,778
Investment income					48,625	1,611	50,236
Miscellaneous					1,320,681	17,393	1,338,074
Transfers, net					<u>(201,470)</u>	<u>(21,904)</u>	<u>(223,374)</u>
Total general revenues and transfers					<u>33,034,041</u>	<u>(2,900)</u>	<u>33,031,141</u>
Change in Net Position					16,187,208	251,220	16,438,428
Net Position:							
Beginning of year					<u>15,908,944</u>	<u>11,015,010</u>	<u>26,923,954</u>
End of year					<u>\$ 32,096,152</u>	<u>\$ 11,266,230</u>	<u>\$ 43,362,382</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	FEMA <u>Tropical Storm Irene</u>	<u>High School Construction</u>	Nonmajor <u>Governmental Funds</u>	Total <u>Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 2,857,359	\$ 1,332,022	\$ 5,294,506	\$ 5,962,945	\$ 15,446,832
Investments	4,583,064	-	6,589,703	223,456	11,396,223
Receivables:					
Property taxes	520,487	-	-	-	520,487
Excises	235,616	-	-	-	235,616
Departmental and other	822,702	-	-	579,180	1,401,882
Intergovernmental	-	-	1,713,373	1,817,749	3,531,122
Loans	-	-	-	1,073,872	1,073,872
Tax liens	1,067,513	-	-	-	1,067,513
Due from other funds	287,987	-	-	-	287,987
TOTAL ASSETS	\$ <u>10,374,728</u>	\$ <u>1,332,022</u>	\$ <u>13,597,582</u>	\$ <u>9,657,202</u>	\$ <u>34,961,534</u>
LIABILITIES					
Warrants payable	\$ 551,173	\$ 193,722	\$ 2,067,125	\$ 613,545	\$ 3,425,565
Accounts payable	-	-	-	192,565	192,565
Accrued payroll and withholdings	1,258,292	-	-	348,185	1,606,477
Due to other funds	-	-	-	287,987	287,987
Notes payable	-	2,725,250	-	1,212,000	3,937,250
Other current liabilities	27,183	-	-	4,750	31,933
TOTAL LIABILITIES	1,836,648	2,918,972	2,067,125	2,659,032	9,481,777
DEFERRED INFLOWS OF RESOURCES	2,513,244	-	-	1,093,156	3,606,400
FUND BALANCES					
Nonspendable	-	-	-	49,031	49,031
Restricted	-	-	11,530,457	5,916,302	17,446,759
Assigned	253,068	-	-	-	253,068
Unassigned	5,771,768	(1,586,950)	-	(60,319)	4,124,499
TOTAL FUND BALANCES	<u>6,024,836</u>	<u>(1,586,950)</u>	<u>11,530,457</u>	<u>5,905,014</u>	<u>21,873,357</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>10,374,728</u>	\$ <u>1,332,022</u>	\$ <u>13,597,582</u>	\$ <u>9,657,202</u>	\$ <u>34,961,534</u>

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

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

JUNE 30, 2014

Total Governmental Fund Balances	\$	21,873,357
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 		72,383,498
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting (net of allowance for uncollectibles) and are not deferred until collection. 		2,218,112
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 		(358,794)
<ul style="list-style-type: none"> • Long-term liabilities, including bonds payable, capital leases, 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. 		(64,221,021)
<ul style="list-style-type: none"> • Deferred loss on early retirement of debt, resulting from an advance refunding, is not recorded on governmental funds. 		<u>201,000</u>
Net Position of Governmental Activities	\$	<u>32,096,152</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	FEMA Tropical Storm <u>Irene</u>	High School <u>Construction</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:					
Property taxes	\$ 26,992,255	\$ -	\$ -	\$ -	\$ 26,992,255
Excises	1,440,997	-	-	-	1,440,997
Penalties, interest and other taxes	957,416	-	-	-	957,416
Charges for services	1,280,954	-	-	2,655,318	3,936,272
Intergovernmental and contributions	21,694,700	1,371,471	17,108,820	11,341,309	51,516,300
Licenses and permits	117,996	-	-	38,415	156,411
Fines and forfeitures	350,290	-	-	33,767	384,057
Investment income	41,523	-	-	7,102	48,625
Miscellaneous	<u>760,364</u>	<u>-</u>	<u>435,000</u>	<u>125,317</u>	<u>1,320,681</u>
Total Revenues	53,636,495	1,371,471	17,543,820	14,201,228	86,753,014
Expenditures:					
Current:					
General government	3,489,492	-	-	2,241,767	5,731,259
Public safety	5,485,201	-	-	889,664	6,374,865
Education	22,460,486	-	25,118,774	5,817,091	53,396,351
Public works	2,373,806	347,880	-	1,922,109	4,643,795
Health and human services	970,823	-	-	3,088,035	4,058,858
Culture and recreation	714,644	-	-	317,369	1,032,013
Employee benefits	9,981,057	-	-	51,001	10,032,058
Debt service	2,463,525	11,798	-	3,721	2,479,044
Intergovernmental	<u>3,860,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,860,811</u>
Total Expenditures	<u>51,799,845</u>	<u>359,678</u>	<u>25,118,774</u>	<u>14,330,757</u>	<u>91,609,054</u>
Excess (deficiency) of revenues over expenditures	1,836,650	1,011,793	(7,574,954)	(129,529)	(4,856,040)
Other Financing Sources (Uses):					
Bond proceeds	-	-	21,590,000	6,254,000	27,844,000
Transfers in	948,907	-	-	792,525	1,741,432
Transfers out	<u>(995,621)</u>	<u>-</u>	<u>-</u>	<u>(947,281)</u>	<u>(1,942,902)</u>
Total Other Financing Sources (Uses)	<u>(46,714)</u>	<u>-</u>	<u>21,590,000</u>	<u>6,099,244</u>	<u>27,642,530</u>
Change in fund balance	1,789,936	1,011,793	14,015,046	5,969,715	22,786,490
Fund Equity, at Beginning of Year, as reclassified	<u>4,234,900</u>	<u>(2,598,743)</u>	<u>(2,484,589)</u>	<u>(64,701)</u>	<u>(913,133)</u>
Fund Equity, at End of Year	<u>\$ 6,024,836</u>	<u>\$ (1,586,950)</u>	<u>\$ 11,530,457</u>	<u>\$ 5,905,014</u>	<u>\$ 21,873,357</u>

The accompanying notes are an integral part of these financial statements. 17

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, 2014

Net Changes in Fund Balances - Total Governmental Funds	\$ 22,786,490														
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital asset purchases</td> <td style="width: 20%; text-align: right;">26,968,814</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,988,417)</td> </tr> </table> • 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. (798,270) • The issuance of long-term debt (e.g., bonds and capital leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of long-term debt</td> <td style="width: 20%; text-align: right;">(27,844,000)</td> </tr> <tr> <td>Repayments of long-term debt</td> <td style="text-align: right;">2,052,720</td> </tr> <tr> <td>Issuance of capital leases</td> <td style="text-align: right;">(155,380)</td> </tr> <tr> <td>Repayment of capital leases</td> <td style="text-align: right;">53,570</td> </tr> <tr> <td>Amortization of loss on early retirement of debt</td> <td style="text-align: right;">(33,500)</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (243,267) • 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. (3,611,552) 		Capital asset purchases	26,968,814	Depreciation	(2,988,417)	Issuance of long-term debt	(27,844,000)	Repayments of long-term debt	2,052,720	Issuance of capital leases	(155,380)	Repayment of capital leases	53,570	Amortization of loss on early retirement of debt	(33,500)
Capital asset purchases	26,968,814														
Depreciation	(2,988,417)														
Issuance of long-term debt	(27,844,000)														
Repayments of long-term debt	2,052,720														
Issuance of capital leases	(155,380)														
Repayment of capital leases	53,570														
Amortization of loss on early retirement of debt	(33,500)														
Change in Net Position of Governmental Activities	\$ <u>16,187,208</u>														

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

TOWN OF GREENFIELD, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 26,636,915	\$ 26,636,915	\$ 26,636,915	\$ -
Excises	1,350,000	1,350,000	1,440,997	90,997
Penalties, interest and other taxes	797,073	797,073	957,416	160,343
Charges for services	1,204,070	1,204,070	1,280,954	76,884
Intergovernmental and contributions	16,623,163	16,623,163	16,679,006	55,843
Licenses and permits	109,000	109,000	117,996	8,996
Fines and forfeitures	284,500	284,500	350,290	65,790
Investment income	5,000	5,000	19,010	14,010
Miscellaneous	50,000	50,000	761,990	711,990
Transfers in	1,040,500	1,040,500	1,292,281	251,781
Other sources	-	1,723,401	1,723,401	-
Total Revenues and Other Sources	48,100,221	49,823,622	51,260,256	1,436,634
Expenditures and Other Uses:				
General government	3,620,267	3,691,767	3,494,224	197,543
Public safety	5,477,012	5,584,012	5,510,424	73,588
Education	17,791,506	17,804,006	17,512,025	291,981
Public works	2,391,999	2,391,999	2,370,380	21,619
Health and human services	1,000,905	1,000,905	970,436	30,469
Culture and recreation	707,800	717,300	713,831	3,469
Employee benefits	10,260,475	10,277,975	9,978,844	299,131
Debt service	2,487,000	2,487,000	2,463,525	23,475
Intergovernmental	4,003,926	4,003,926	3,860,811	143,115
Transfers out	307,667	1,813,068	1,812,921	147
Other uses	51,664	51,664	51,664	-
Total Expenditures and Other Uses	48,100,221	49,823,622	48,739,085	1,084,537
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,521,171	\$ 2,521,171

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

TOWN OF GREENFIELD, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 855,226	\$ 1,147,729	\$ 2,002,955
User fees receivable, net of allowance for uncollectible	792,513	1,038,997	1,831,510
Total current assets	1,647,739	2,186,726	3,834,465
Noncurrent:			
Tax liens, net of allowance for uncollectible	44,593	68,555	113,148
Construction in progress	18,527	-	18,527
Capital assets, net of accumulated depreciation	4,784,279	10,055,210	14,839,489
Total noncurrent assets	4,847,399	10,123,765	14,971,164
DEFERRED OUTFLOWS OF RESOURCES	21,900	-	21,900
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	6,517,038	12,310,491	18,827,529
LIABILITIES			
Current:			
Warrants payable	22,825	29,373	52,198
Accrued payroll	15,576	16,989	32,565
Accrued interest payable	19,013	27,857	46,870
Notes payable	-	380,000	380,000
Current portion of long-term liabilities: Bonds payable	263,000	685,147	948,147
Total current liabilities	320,414	1,139,366	1,459,780
Noncurrent:			
Bonds payable, net of current portion	1,329,000	3,314,200	4,643,200
Accrued compensated absences	62,900	68,078	130,978
Net OPEB obligation	633,036	694,305	1,327,341
Total noncurrent liabilities	2,024,936	4,076,583	6,101,519
TOTAL LIABILITIES	2,345,350	5,215,949	7,561,299
NET POSITION			
Net investment in capital assets	3,336,660	5,638,522	8,975,182
Unrestricted	835,028	1,456,020	2,291,048
TOTAL NET POSITION	\$ 4,171,688	\$ 7,094,542	\$ 11,266,230

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

TOWN OF GREENFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 1,707,186	\$ 2,266,482	\$ 3,973,668
Total Operating Revenues	1,707,186	2,266,482	3,973,668
Operating Expenses:			
Salaries and wages	734,505	788,216	1,522,721
Operating expenses	655,394	913,874	1,569,268
Depreciation	210,590	406,111	616,701
Total Operating Expenses	1,600,489	2,108,201	3,708,690
Operating Income	106,697	158,281	264,978
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	-	133,693	133,693
Investment income	360	1,251	1,611
Interest expense	(58,989)	(68,169)	(127,158)
Total Nonoperating Revenues (Expenses), Net	(58,629)	66,775	8,146
Change in Net Position, before transfers	48,068	225,056	273,124
Transfer out	(21,904)	-	(21,904)
Change in Net Position, after transfers	26,164	225,056	251,220
Net Position at Beginning of Year	4,145,524	6,869,486	11,015,010
Net Position at End of Year	\$ 4,171,688	\$ 7,094,542	\$ 11,266,230

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

TOWN OF GREENFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,797,255	\$ 2,346,459	\$ 4,143,714
Payments to vendors and employees	<u>(1,275,137)</u>	<u>(1,626,907)</u>	<u>(2,902,044)</u>
Net Cash Provided By Operating Activities	522,118	719,552	1,241,670
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental subsidy	-	133,693	133,693
Transfer (out)	<u>(21,904)</u>	<u>-</u>	<u>(21,904)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(21,904)	133,693	111,789
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition, disposal and construction of capital assets	(197,590)	(455,726)	(653,316)
Issuance (repayment) of short-term debt	(116,000)	380,000	264,000
Issuance of long-term debt	228,000	350,000	578,000
Principal payments on bonds	(270,000)	(648,595)	(918,595)
Interest paid	<u>(56,451)</u>	<u>(68,871)</u>	<u>(125,322)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(412,041)</u>	<u>(443,192)</u>	<u>(855,233)</u>
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>360</u>	<u>1,251</u>	<u>1,611</u>
Net Cash Provided By Investing Activities	<u>360</u>	<u>1,251</u>	<u>1,611</u>
Net Change in Cash and Short-Term Investments	88,533	411,304	499,837
Cash and Short-Term Investments, Beginning of Year	<u>766,693</u>	<u>736,425</u>	<u>1,503,118</u>
Cash and Short-Term Investments, End of Year	<u>\$ 855,226</u>	<u>\$ 1,147,729</u>	<u>\$ 2,002,955</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating income	\$ 106,697	\$ 158,281	\$ 264,978
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	210,590	406,111	616,701
Changes in assets and liabilities:			
User fees receivable	90,069	79,977	170,046
Warrants payable	22,816	(9,413)	13,403
Accrued payroll	2,014	3,519	5,533
Accrued compensated absences	5,348	(1,364)	3,984
Net OPEB obligation	<u>84,584</u>	<u>82,441</u>	<u>167,025</u>
Net Cash Provided By Operating Activities	<u>\$ 522,118</u>	<u>\$ 719,552</u>	<u>\$ 1,241,670</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>	<u>Pension Trust Fund (As of December 31, 2013)</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 165,013	\$ 282,704	\$ 243,524	\$ 542,564
Investments	<u>209,306</u>	<u>19,992</u>	<u>-</u>	<u>55,145,432</u>
Total Assets	374,319	302,696	243,524	55,687,996
<u>LIABILITIES AND NET POSITION</u>				
Warrants payable	-	-	15,728	-
Accrued payroll	-	-	1,644	-
Deferred revenue	-	-	-	1,113,884
Other liabilities	<u>-</u>	<u>-</u>	<u>226,152</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>243,524</u>	<u>1,113,884</u>
<u>NET POSITION</u>				
Total net position held in trust for pension benefits and other purposes	<u>\$ 374,319</u>	<u>\$ 302,696</u>	<u>\$ -</u>	<u>\$ 54,574,112</u>

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

TOWN OF GREENFIELD, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Funds	OPEB Trust Fund	Pension Trust Fund (For the Year Ended December 31, 2013)
Additions:			
Contributions:			
Employers	\$ -	\$ -	\$ 3,246,117
Other systems and Commonwealth of Massachusetts	-	-	246,636
Plan members	-	-	1,585,615
Contributions	<u>25</u>	<u>-</u>	<u>-</u>
Total contributions	25	-	5,078,368
Investment Income:			
Interest and dividends	8,771	3,118	1,521,976
Realized gain on sale of investments	-	-	2,435,192
Increase in fair value of investments	-	-	3,521,925
Less: Management fees	<u>-</u>	<u>-</u>	<u>(291,061)</u>
Net investment income	<u>8,771</u>	<u>3,118</u>	<u>7,188,032</u>
Total additions	8,796	3,118	12,266,400
Deductions:			
Benefit payments to plan members and beneficiaries	-	-	5,281,458
Reimbursements to other systems	-	-	413,884
Refunds to plan members	-	-	398,874
Administrative expenses	-	-	126,970
Scholarships	<u>6,414</u>	<u>-</u>	<u>-</u>
Total deductions	<u>6,414</u>	<u>-</u>	<u>6,221,186</u>
Net increase (decrease), before transfers	2,382	3,118	6,045,214
Transfer in	-	225,000	-
Transfer out	<u>(1,626)</u>	<u>-</u>	<u>-</u>
Net increase (decrease), after transfers	756	228,118	6,045,214
Net position:			
Beginning of year	<u>373,563</u>	<u>74,578</u>	<u>48,528,898</u>
End of year	<u>\$ 374,319</u>	<u>\$ 302,696</u>	<u>\$ 54,574,112</u>

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

Town of Greenfield, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Mayor and Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2014, 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *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 *high school construction fund* accounts for all activities related to the construction of the Town's new high school.

Proprietary funds distinguish operating revenues and expenses from 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.

The Town reports the following major proprietary funds:

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

The *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.

The *OPEB trust fund* is used to account for trust arrangements, specifically the OPEB trust, under which principal and investment income exclusively benefit individuals.

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

Investments for the Town consists primarily of certificates of deposit, mutual funds and equities. 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 2014 tax levy reflected an excess capacity of \$1,024,479.

G. Interfund Receivables and Payables

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

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

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

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

restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Departments are limited to the departmental totals as voted. Certain items may exceed the budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate. Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 53,636,495	\$ 51,799,845
Other financing sources/uses (GAAP basis)	<u>948,907</u>	<u>995,621</u>
Subtotal (GAAP Basis)	54,585,402	52,795,466
Remove the effect of adding Town's Stabilization funds per GASB 54	322,487	817,300
Adjust tax revenue to accrual basis	(355,340)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(162,719)
Add end of year appropriation carryforwards to expenditures	-	253,068
To reverse the effect of non-budgeted State contributions for teachers retirement	(5,015,694)	(5,015,694)
Recognize use of fund balance as funding source	1,723,401	-
Other uses raised in the current year	<u>-</u>	<u>51,664</u>
Budgetary basis	<u>\$ 51,260,256</u>	<u>\$ 48,739,085</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2014:

FEMA Tropical Storm Irene	\$(1,586,950)
Fiscal year 2012 capital/borrowing articles	(60,319)

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

3. Cash and Short-Term Investments

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

As of June 30, 2014, \$8,918,089 of the Town's bank balance of \$19,460,715 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Town's name.

As of December 31, 2013, none of the Contributory Retirement System's bank balance of \$558,116 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the System's name.

4. Investments

A. Credit Risk

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

None of the Town's investments of \$11,625,521 are subject to credit risk.

The Retirement System's investments of \$55,145,432* 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 Manage-*

ment Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.

B. Custodial Credit Risk

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

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

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

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

C. Concentration of Credit Risk

Per the Town's investment policy, no more than 10% of the Town's investments shall be invested in a single financial institution. Investments in any one issuer (other than mutual funds) that represent 5% or more of total investments are as follows:

Greenfield Co-operative Bank CDs	\$10,006,958
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Massachusetts General Law Chapter 32, Section 23 limits the amount the Retirement System may invest in any one issuer or security type with the exception of the PRIT fund, which the System is invested in.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For the most part, the policy adopted in

November 2009, establishes a one year investment term limit for applicable types of investments, such as certificates of deposit for general fund investments. Trust fund investments have no limit on the length of maturity from date of purchase.

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

Investment Type	Fair Value	Exempt from Disclosure	Investment Maturities (in Years)	
			Less Than 1	1-5
Certificates of deposit	\$ 11,222,859	\$ -	\$ 10,002,269	\$ 1,220,590
Equities	382,670	382,670	-	-
Exchange traded products	4,306	4,306	-	-
Mutual funds	15,686	15,686	-	-
Total	\$ <u>11,625,521</u>	\$ <u>402,662</u>	\$ <u>10,002,269</u>	\$ <u>1,220,590</u>

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

E. Foreign Currency Risk

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

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, 2014 consist of the following:

Real Estate			
2014	\$	467,306	
2013		1,960	
2008 and prior		<u>9,107</u>	478,373
Personal Property			
2014		11,649	
2013		4,926	
2012		3,690	
2011 and prior		<u>21,849</u>	<u>42,114</u>
Total	\$		<u><u>520,487</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	\$ 29,379	\$ -
Excises	104,502	-
Departmental	27,951	-
Tax liens	106,170	11,031
User fees	-	76,486

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

8. Loan Receivable

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

9. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 287,987	\$ -
Non-Major Fund:		
Capital Project Funds	<u>-</u>	<u>287,987</u>
Total	<u>\$ 287,987</u>	<u>\$ 287,987</u>

10. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 51,258,928	\$ 29,750	\$ -	\$ 2,391,766	\$ 53,680,444
Machinery, equipment, and furnishings	8,922,228	323,654	-	35,000	9,280,882
Infrastructure	<u>14,333,753</u>	<u>591,611</u>	<u>-</u>	<u>-</u>	<u>14,925,364</u>
Total capital assets, being depreciated	74,514,909	945,015	-	2,426,766	77,886,690
Less accumulated depreciation for:					
Buildings and improvements	(31,680,744)	(1,840,204)	-	-	(33,520,948)
Machinery, equipment, and furnishings	(6,382,904)	(652,014)	-	-	(7,034,918)
Infrastructure	<u>(8,599,228)</u>	<u>(496,199)</u>	<u>-</u>	<u>-</u>	<u>(9,095,427)</u>
Total accumulated depreciation	<u>(46,662,876)</u>	<u>(2,988,417)</u>	<u>-</u>	<u>-</u>	<u>(49,651,293)</u>
Total capital assets, being depreciated, net	27,852,033	(2,043,402)	-	2,426,766	28,235,397
Capital assets, not being depreciated:					
Land	12,948,462	509,074	-	-	13,457,536
Construction in progress	<u>7,602,606</u>	<u>25,514,725</u>	<u>-</u>	<u>(2,426,766)</u>	<u>30,690,565</u>
Total capital assets, not being depreciated	<u>20,551,068</u>	<u>26,023,799</u>	<u>-</u>	<u>(2,426,766)</u>	<u>44,148,101</u>
Governmental activities capital assets, net	<u>\$ 48,403,101</u>	<u>\$ 23,980,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,383,498</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 9,431,098	\$ -	\$ -	\$ -	\$ 9,431,098
Machinery, equipment, and furnishings	782,317	484,845	-	-	1,267,162
Infrastructure	<u>14,840,639</u>	<u>115,881</u>	<u>-</u>	<u>83,587</u>	<u>15,040,107</u>
Total capital assets, being depreciated	25,054,054	600,726	-	83,587	25,738,367
Less accumulated depreciation for:					
Buildings and improvements	(2,590,774)	(188,622)	-	-	(2,779,396)
Machinery, equipment, and furnishings	(590,674)	(69,735)	-	-	(660,409)
Infrastructure	<u>(7,100,729)</u>	<u>(358,344)</u>	<u>-</u>	<u>-</u>	<u>(7,459,073)</u>
Total accumulated depreciation	<u>(10,282,177)</u>	<u>(616,701)</u>	<u>-</u>	<u>-</u>	<u>(10,898,878)</u>
Total capital assets being depreciated, net	14,771,877	(15,975)	-	83,587	14,839,489
Capital assets, not being depreciated:					
Construction in progress	<u>49,524</u>	<u>52,590</u>	<u>-</u>	<u>(83,587)</u>	<u>18,527</u>
Total capital assets, not being depreciated	<u>49,524</u>	<u>52,590</u>	<u>-</u>	<u>(83,587)</u>	<u>18,527</u>
Business-type activities capital assets, net	<u>\$ 14,821,401</u>	<u>\$ 36,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,858,016</u>

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

Governmental Activities:	
General government	\$ 112,277
Public safety	338,418
Education	1,530,012
Public works	909,126
Culture and recreation	<u>98,584</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,988,417</u>
Business-Type Activities:	
Water	\$ 210,590
Sewer	<u>406,111</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 616,701</u>

11. Deferred Outflows of Resources

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

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

12. Warrants and Accounts Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014 as permitted by law. Accounts payable represent additional 2014 expenditures paid after July 15, 2014.

13. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2014:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2014</u>
Bond anticipation	0.59%	05/01/14	05/01/15	\$ 850,000
Bond anticipation	0.44%	05/01/14	11/02/14	2,225,250
Bond anticipation	0.45%	06/12/14	11/03/14	500,000
Bond anticipation	0.40%	06/25/14	05/01/15	<u>742,000</u>
Total				<u>\$ 4,317,250</u>

The following summarizes activity in notes payable during fiscal year 2014:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>11,875,250</u>	\$ <u>6,957,500</u>	\$ <u>(14,515,500)</u>	\$ <u>4,317,250</u>

14. 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, 2014</u>
<u>Governmental Activities:</u>			
Multi-purpose 98	11/01/17	4.14	\$ 595,000
Title V (part I)	08/01/19	0.00	4,230,000
Multi-purpose 00	09/01/20	4.15	5,368
Title V (part II)	08/01/24	0.00	36,959
Multi-purpose 10	12/01/24	2.77	1,502,500
Multi-purpose 12	02/01/27	2.50	2,789,000
Multi-purpose 14	03/01/39	3.00-5.00	<u>27,844,000</u>
Total Governmental Activities			37,002,827
<u>Business-Type Activities:</u>			
Sewer inflow (MWPAT) Wastewater treatment plant upgrade (MWPAT)	02/01/15	2.50	30,647
Multi-purpose 00	09/01/20	4.15	1,025,000
Multi-purpose 10	12/01/24	2.77	347,500
Multi-purpose 12	02/01/27	2.50	921,000
Multi-purpose 14	03/01/29	3.00-5.00	<u>578,000</u>
Total Business-Type Activities			<u>5,591,347</u>
Total All Debt			<u>\$ 42,594,174</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, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,879,720	\$ 1,359,403	\$ 4,239,123
2016	2,733,146	1,310,902	4,044,048
2017	2,574,146	1,209,932	3,784,078
2018	2,405,146	1,110,250	3,515,396
2019	2,248,146	1,010,086	3,258,232
2020 - 2024	6,403,662	4,086,698	10,490,360
2025 - 2029	5,743,861	2,964,863	8,708,724
Thereafter	<u>12,015,000</u>	<u>2,706,075</u>	<u>14,721,075</u>
Total	\$ <u>37,002,827</u>	\$ <u>15,758,209</u>	\$ <u>52,761,036</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 948,147	\$ 126,357	\$ 1,074,504
2016	912,900	100,981	1,013,881
2017	897,600	76,533	974,133
2018	897,600	55,845	953,445
2019	910,600	43,483	954,083
2020 - 2024	738,500	105,484	843,984
2025 - 2029	246,000	27,793	273,793
Thereafter	<u>40,000</u>	<u>4,150</u>	<u>44,150</u>
Total	\$ <u>5,591,347</u>	\$ <u>540,626</u>	\$ <u>6,131,973</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2014</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2014</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 11,212	\$ 27,844	\$ (2,053)	\$ 37,003	(2,880)	34,123
Other:						
Capital lease	-	155	(54)	101	(50)	51
Landfill closure	287	-	(22)	265	(22)	243
Accrued compensated absences	1,608	-	(187)	1,421	-	1,421
Net OPEB obligation	<u>21,610</u>	<u>3,820</u>	<u>-</u>	<u>25,430</u>	<u>-</u>	<u>25,430</u>
Totals	\$ <u>34,717</u>	\$ <u>31,819</u>	\$ <u>(2,316)</u>	\$ <u>64,220</u>	\$ <u>(2,952)</u>	\$ <u>61,268</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 5,932	\$ 578	\$ (919)	\$ 5,591	\$ (948)	\$ 4,643
Other:						
Accrued compensated absences	127	-	4	131	-	131
Net OPEB obligation	<u>1,160</u>	<u>167</u>	<u>-</u>	<u>1,327</u>	<u>-</u>	<u>1,327</u>
Totals	\$ <u>7,219</u>	\$ <u>745</u>	\$ <u>(915)</u>	\$ <u>7,049</u>	\$ <u>(948)</u>	\$ <u>6,101</u>

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in 2016. Future minimum lease payments consist of the following as of June 30, 2014.

	<u>Fiscal Year</u>	
	2015	\$ 53,570
	2016	<u>53,570</u>
Total minimum lease payments		107,140
Less amounts representing interest		<u>(5,330)</u>
Present Value of Minimum Lease Payments		<u>\$ 101,810</u>

16. 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 \$264,600 reported as post-closure care liability at June 30, 2014 represents annual monitoring costs of \$22,050 for the next 12 years. This amount is based on what it would cost to perform all post-closure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

17. Deferred Inflows of Resources

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

The deferred inflow of resources balance as of June 30, 2014 consists of unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The deferred inflow balance reported under governmental activities represents deferred payment loans and subsequent levy year taxes collected in the current year.

18. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental, proprietary and fiduciary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2014:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 948,907	\$ 995,621
Nonmajor Funds:		
Special revenue funds	237,921	943,031
Capital project funds	454,604	-
Trust funds	<u>100,000</u>	<u>4,250</u>
Subtotal Nonmajor funds	792,525	947,281
<u>Business-Type Funds:</u>		
Water fund	-	21,904
<u>Fiduciary Funds:</u>		
Private purpose trust	-	1,626
OPEB trust	<u>225,000</u>	<u>-</u>
Grand Total	\$ <u>1,966,432</u>	\$ <u>1,966,432</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

19. Restricted Net Position

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

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

20. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2014:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town does not have any fund balances that meet this criteria in 2014.

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, stabilization funds set aside by Town Council vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54) and deficit fund balances.

Following is a breakdown of the Town's fund balances at June 30, 2014:

	General Fund	FEMA Tropical Storm Irene	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable					
permanent funds	\$ -	\$ -	\$ -	\$ 49,031	\$ 49,031
Total Nonexpendable	-	-	-	49,031	49,031
Restricted					
Bonded projects	-	-	11,530,457	655,364	12,185,821
Special revenue funds	-	-	-	4,910,479	4,910,479
Expendable					
permanent funds	-	-	-	350,459	350,459
Total Restricted	-	-	11,530,457	5,916,302	17,446,759
Assigned					
Encumbrances	253,068	-	-	-	253,068
Total Assigned	253,068	-	-	-	253,068
Unassigned					
Unassigned	3,678,440	-	-	-	3,678,440
Stablization fund	2,093,328	-	-	-	2,093,328
Deficit fund balances	-	(1,586,950)	-	(60,319)	(1,647,269)
Total Unassigned	5,771,768	(1,586,950)	-	(60,319)	4,124,499
Total Fund Balance	\$ 6,024,836	\$ (1,586,950)	\$ 11,530,457	\$ 5,905,014	\$ 21,873,357

21. Subsequent Events

Debt - Subsequent to June 30, 2014, the Town has incurred the following additional debt:

	Amount	Interest Rate	Issue Date	Maturity Date
Bond anticipation note	\$ 2,100,000	0.40%	11/03/14	05/01/15

22. 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.

23. Post-Employment Health Care and Life Insurance Benefits

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

A. Plan Description

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment 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, 2013, the actuarial valuation date, approximately 523 retirees and 398 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 2014 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, 2014, 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, 2013.

	Governmental Activities	Water Fund	Sewer Fund	Total
Annual Required Contribution (ARC)	\$ 6,625,200	\$ 131,900	\$ 146,300	\$ 6,903,400
Interest on net OPEB obligation	768,247	12,962	17,493	798,702
Adjustment to ARC	<u>(1,152,831)</u>	<u>(19,450)</u>	<u>(26,251)</u>	<u>(1,198,532)</u>
Annual OPEB cost	6,240,616	125,412	137,542	6,503,570
Contributions made	<u>(2,419,874)</u>	<u>(40,828)</u>	<u>(55,101)</u>	<u>(2,515,803)</u>
Increase in net OPEB obligation	3,820,742	84,584	82,441	3,987,767
Net OPEB obligation - beginning of year	<u>21,609,733</u>	<u>548,452</u>	<u>611,864</u>	<u>22,770,049</u>
Net OPEB obligation - end of year	<u>\$ 25,430,475</u>	<u>\$ 633,036</u>	<u>\$ 694,305</u>	<u>\$ 26,757,816</u>

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

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 6,503,570	38.7%	\$ 26,757,816
2013	\$ 6,463,388	46.1%	\$ 22,770,049
2012	\$ 7,259,588	30.1%	\$ 19,286,037
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, 2014 is recorded as a long-term liability in the accompanying statement of net position.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 71,943,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 71,943,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 23,952,238</u>
UAAL as a percentage of covered payroll	<u>300%</u>

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

In fiscal year 2014, the Town established an OPEB Trust Fund under MGL Chapter 32B, Section 20. The balance in the trust fund is \$302,696 at June 30, 2014.

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, 2013 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 8% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis.

24. 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, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	244
Terminated plan members entitled to but not yet receiving benefits	15
Active plan members	<u>412</u>
Total	<u>671</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:

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
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%
2013	3,200,000	100%
2014	3,360,000	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 <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
1/1/2013	\$48,639,532	\$89,811,482	\$41,171,950	54.2%	\$14,906,834	276.2%

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 \$41.2 million was calculated. The actuarial assumptions included (a) 8.0% investment rate of return and (b) a projected salary increase of between 4.25 – 4.75% 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, 2013, the unfunded actuarially accrued liability is being amortized over 25 years using an entry age method which assumes a 5.50% per year increase in funding.

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 2014, the Commonwealth of Massachusetts contributed \$5,015,694 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

25. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

26. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2014, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

<u>Fund Basis</u>	<u>Governmental Funds</u>			<u>Total</u>
	<u>2011 Capital Articles</u>	<u>Virtual School</u>	<u>Nonmajor Governmental Funds</u>	
Fund balance 06/30/13, as previously reported	\$ (3,694,607)	\$ 68,120	\$ 3,561,786	\$ (64,701)
Reclassify major funds in accordance with GASB 34	<u>3,694,607</u>	<u>(68,120)</u>	<u>(3,626,487)</u>	<u>-</u>
Fund balance 06/30/13, as reclassified	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(64,701)</u>	\$ <u>(64,701)</u>

27. 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 significant 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

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]
01/01/13	\$ 48,640	\$ 89,811	\$ 41,172	54.2%	\$ 14,907	276.2%
01/01/11	\$ 48,984	\$ 80,141	\$ 31,157	61.1%	\$ 13,872	224.6%
01/01/09	\$ 40,429	\$ 70,585	\$ 30,155	57.3%	\$ 12,842	234.8%
01/01/07	\$ 43,030	\$ 63,781	\$ 20,751	67.5%	\$ 12,158	170.7%
01/01/05	\$ 39,090	\$ 57,160	\$ 18,070	68.4%	\$ 11,674	154.8%
01/01/03	\$ 34,826	\$ 52,857	\$ 18,031	65.9%	\$ 11,668	154.5%
01/01/01	\$ 34,401	\$ 45,223	\$ 10,822	76.1%	\$ 11,319	95.6%

Other Post-Employment Benefits

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]
07/01/13	\$ -	\$ 71,943	\$ 71,943	0.0%	\$ 23,952	300%
07/01/11	\$ -	\$ 73,933	\$ 73,933	0.0%	\$ 18,545	399%
07/01/09	\$ -	\$ 80,439	\$ 80,439	0.0%	\$ 20,900	385%
07/01/08	\$ -	\$ 82,482	\$ 72,482	0.0%	N/A	N/A

See Independent Auditors' Report.