

TOWN OF GROVELAND, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF GROVELAND, MASSACHUSETTS

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JUNE 30, 2012

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Groveland, 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 Groveland, Massachusetts, as of and for the fiscal year ended June 30, 2012 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2011), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Groveland, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Groveland Municipal Light Department, which reflects approximately 49% of the total assets and approximately 81% of the total revenues of the business-type activities. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities above, is based solely on the report of another auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of another auditor, 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 Groveland, Massachusetts, as of June 30, 2012 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2013 on our consideration of the Town of Groveland, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions, and other postemployment benefit plan actuarial methods and assumptions, located after the notes to the financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

July 2, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Groveland, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Groveland's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund, community preservation fund, and stabilization fund are considered major funds for presentation purposes. These major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, and electric light activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement 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 propriety funds.

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

Financial Highlights

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Groveland's governmental assets exceeded liabilities for governmental activities by \$22.6 million and the business-type activities by \$15.9 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

Governmental Activities

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets.....	\$ 7,650,690	\$ 6,922,357
Capital assets.....	18,103,407	15,878,867
Total assets.....	<u>25,754,097</u>	<u>22,801,224</u>
Liabilities:		
Current liabilities (excluding debt).....	886,179	224,127
Noncurrent liabilities (excluding debt).....	1,217,451	131,625
Current debt.....	223,917	-
Noncurrent debt.....	1,394,602	423,842
Total liabilities.....	<u>3,722,149</u>	<u>779,594</u>
Net Assets:		
Invested in capital assets, net of related debt.....	16,484,888	15,878,867
Restricted.....	3,063,883	2,739,758
Unrestricted.....	3,078,977	3,403,005
Total net assets.....	<u>\$ 22,627,748</u>	<u>\$ 22,021,630</u>

Governmental net assets of \$16.5 million (73%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$3.1 million (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$3.1 million (13%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities increased the Town's net assets by \$610,000 during fiscal year 2012 as compared to an increase of \$282,000 in fiscal year 2011. The key components of the changes between years was the \$944,000 capital grant recorded for the construction and renovation work being performed at the Bagnell School and the recording of a liability for claims and judgments in the amount of \$600,000 relating to a settlement reached with the City of Haverhill over the Town's share of landfill closing costs .

	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for services.....	\$ 428,669	\$ 479,989
Operating grants and contributions.....	658,780	771,888
Capital grants and contributions.....	1,300,298	195,417
General Revenues:		
Real estate and personal property taxes.....	10,664,811	10,369,621
Motor vehicle and other excise taxes.....	735,441	771,346
Nonrestricted grants.....	680,405	656,883
Unrestricted investment income.....	21,981	25,136
Other revenues.....	274,424	301,256
Total revenues.....	<u>14,764,809</u>	<u>13,571,536</u>
Expenses:		
General Government.....	1,347,541	1,224,561
Public Safety.....	2,034,141	1,997,351
Education.....	7,840,410	7,705,134
Public Works.....	1,591,715	1,625,236
Community Development.....	55,517	47,098
Human Services.....	255,889	279,610
Culture and Recreation.....	459,278	444,687
Claims and judgments.....	600,000	-
Total expenses.....	<u>14,184,491</u>	<u>13,323,677</u>
Excess (Deficiency) before transfers.....	580,318	247,859
Transfers.....	<u>30,000</u>	<u>34,500</u>
Change in net assets.....	\$ <u>610,318</u>	\$ <u>282,359</u>

Business-type Activities

Business-type activities increased the Town's net assets by \$200,000. The water, sewer, and electric light department's change in net assets each amounted to (\$1,100), \$108,000, and \$94,000, respectively, during the fiscal year 2012.

Water Activities

Water business-type activities assets exceeded liabilities by \$3.7 million at the close of fiscal year 2012. Invested in capital assets net of related debt were \$3.3 million (89%) and unrestricted net assets were \$397,000 (11%). Net assets decreased during fiscal year 2012 by approximately \$1,100 compared to an increase of approximately \$52,000 in 2011 before recording approximately \$943,000 of unreconciled activity.

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets.....	\$ 2,347,140	\$ 856,816
Capital assets.....	<u>4,086,559</u>	<u>3,417,760</u>
Total assets.....	<u>6,433,699</u>	<u>4,274,576</u>
Liabilities:		
Current liabilities (excluding debt).....	306,715	23,731
Noncurrent liabilities (excluding debt).....	39,654	42,418
Current debt.....	105,000	165,000
Noncurrent debt.....	<u>2,240,000</u>	<u>300,000</u>
Total liabilities.....	<u>2,691,369</u>	<u>531,149</u>
Net Assets:		
Invested in capital assets, net of related debt.....	3,345,291	2,952,760
Unrestricted.....	<u>397,039</u>	<u>790,667</u>
Total net assets.....	<u>\$ 3,742,330</u>	<u>\$ 3,743,427</u>
Program Revenues:		
Charges for services.....	\$ 732,173	\$ 672,810
Operating grants and contributions.....	<u>73,264</u>	<u>-</u>
Total revenues.....	<u>805,437</u>	<u>672,810</u>
Expenses:		
Water.....	<u>806,534</u>	<u>620,511</u>
Excess (Deficiency) before other items.....	(1,097)	52,299
Net unreconciled activity.....	<u>-</u>	<u>942,610</u>
Change in net assets.....	<u>\$ (1,097)</u>	<u>\$ 994,909</u>

Sewer Activities

Sewer business-type activities assets exceeded liabilities by \$2.7 million at the close of fiscal year 2012. Capital assets net of related debt were \$2.1 million (78%) and unrestricted net assets were \$608,000 (22%). Net assets increased during fiscal year 2012 by approximately \$108,000 compared to an increase of approximately \$386,000 in the prior year. The key component of the change relates to the recording of approximately \$353,000 of capital assessments in the prior year.

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets.....	\$ 1,201,203	\$ 418,695
Capital assets.....	<u>2,589,421</u>	<u>2,349,396</u>
Total assets.....	<u>3,790,624</u>	<u>2,768,091</u>
Liabilities:		
Current liabilities (excluding debt).....	32,144	21,099
Noncurrent liabilities (excluding debt).....	27,204	31,169
Current debt.....	66,000	47,200
Noncurrent debt.....	<u>950,000</u>	<u>391,000</u>
Total liabilities.....	<u>1,075,348</u>	<u>490,468</u>
Net Assets:		
Invested in capital assets, net of related debt.....	2,107,431	1,911,196
Unrestricted.....	<u>607,845</u>	<u>696,328</u>
Total net assets.....	<u>\$ 2,715,276</u>	<u>\$ 2,607,524</u>
	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for services.....	\$ 539,388	\$ 559,466
Operating grants and contributions.....	24,421	-
Capital grants and contributions.....	<u>6,897</u>	<u>400,917</u>
Total revenues.....	<u>570,706</u>	<u>960,383</u>
Expenses:		
Sewer.....	<u>462,954</u>	<u>574,782</u>
Change in net assets.....	<u>\$ 107,752</u>	<u>\$ 385,601</u>

Electric Activities

Electric business-type activities assets exceeded liabilities by \$9.4 million at the close of calendar year 2012. Capital assets net of related debt were \$4.5 million (47%) and unrestricted net assets were \$5 million (53%). Net assets increased during calendar year 2012 by approximately \$94,000 compared to an increase of approximately \$368,000 in the prior year. The key component of the change relates to a decline in user fees (decreased demand) of approximately 8%.

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Assets:		
Current assets.....	\$ 5,513,347	\$ 5,577,640
Capital assets.....	4,461,726	4,539,124
Total assets.....	9,975,073	10,116,764
Liabilities:		
Current liabilities (excluding debt).....	401,173	675,579
Noncurrent liabilities (excluding debt).....	161,445	122,310
Total liabilities.....	562,618	797,889
Net Assets:		
Invested in capital assets, net of related debt.....	4,461,726	4,539,124
Unrestricted.....	4,950,729	4,779,751
Total net assets.....	\$ 9,412,455	\$ 9,318,875
Program Revenues:		
Charges for services.....	\$ 5,489,394	5,953,335
General Revenues:		
Unrestricted investment income.....	27,800	49,000
Total revenues.....	5,517,194	6,002,335
Expenses:		
Electric Light.....	5,393,614	5,599,950
Total expenses.....	5,393,614	5,599,950
Excess (Deficiency) before transfers.....	123,580	402,385
Transfers.....	(30,000)	(34,500)
Change in net assets.....	\$ 93,580	\$ 367,885

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$6.8 million, an increase of \$660,000 from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$1.8 million, while total fund balance was \$2 million.

General Fund Budgetary Highlights

The Town of Groveland adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The original fiscal year 2012 approved budget authorized approximately \$12.3 million in appropriations and other amounts to be raised. During fiscal year 2012, Town meeting also approved minor changes to the original budget increasing it by approximately \$225,000.

Actual revenues were more than budgeted amounts by \$12,000 and actual expenditures (including carryovers) and transfers were less than budgeted amounts by \$214,000.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

During fiscal year 2012 the Town expended approximately \$3.0 million on governmental activities capital assets consisting mainly of school building renovations and construction, machinery and equipment, vehicles, building improvements, and other infrastructure improvements. The business-type activities expended approximately \$967,000 consisting mainly of additions to the electric plant, sewer improvements, and water storage tank and main improvements.

Outstanding long-term debt of the business type activities, as of June 30, 2012, totaled \$3.3 million, of which \$2.3 million related to sewer projects and \$1 million related to water projects.

The town also recorded approximately \$1.5 million of school related capital assessments for construction and renovations at the Bagnell School.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Groveland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant at, 183 Main Street, Groveland, MA 01834.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents..... \$	7,027,067	\$ 5,010,139	\$ 12,037,206
Restricted cash and cash equivalents.....	-	63,521	63,521
Investments.....	-	2,117,586	2,117,586
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	366,287	-	366,287
Tax liens.....	22,367	-	22,367
Motor vehicle excise taxes.....	38,667	-	38,667
Water fees.....	-	283,307	283,307
Sewer fees.....	-	329,130	329,130
Electric light fees.....	-	600,659	600,659
Special assessments.....	-	21,454	21,454
Intergovernmental.....	137,834	168,286	306,120
Tax foreclosures.....	58,468	-	58,468
Inventory.....	-	11,561	11,561
Prepaid expenses.....	-	456,047	456,047
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	309,013	309,013
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	7,358,467	1,557,212	8,915,679
Depreciable.....	10,744,940	9,271,481	20,016,421
TOTAL ASSETS.....	25,754,097	20,199,396	45,953,493
LIABILITIES			
CURRENT:			
Warrants payable.....	104,094	609,253	713,347
Accrued payroll.....	121,619	13,055	134,674
Tax refunds payable.....	22,116	-	22,116
Accrued interest.....	-	48,303	48,303
Customer deposits payable.....	-	63,521	63,521
Capital lease obligations.....	30,251	-	30,251
Compensated absences.....	38,350	5,900	44,250
Capital assessment payable.....	193,666	-	193,666
Bonds payable.....	-	171,000	171,000
NONCURRENT:			
Capital lease obligations.....	90,754	-	90,754
Compensated absences.....	115,050	17,700	132,750
Other postemployment benefits.....	502,401	210,603	713,004
Court judgments.....	600,000	-	600,000
Capital assessment payable.....	1,303,848	-	1,303,848
Bonds payable.....	-	3,190,000	3,190,000
TOTAL LIABILITIES.....	3,122,149	4,329,335	7,451,484
NET ASSETS			
Invested in capital assets, net of related debt.....	16,484,888	9,671,602	26,156,490
Restricted for:			
Permanent funds:			
Expendable.....	4,200	-	4,200
Nonexpendable.....	391,021	-	391,021
Community preservation.....	2,610,587	-	2,610,587
Gifts and grants.....	62,275	-	62,275
Unrestricted.....	3,078,977	6,198,459	9,277,436
TOTAL NET ASSETS..... \$	22,631,948	\$ 15,870,061	\$ 38,502,009

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,347,541	\$ 281,875	\$ 247,938	\$ -	\$ (817,728)
Public safety.....	2,034,141	127,167	23,102	-	(1,883,872)
Education.....	7,840,410	-	156,550	944,309	(6,739,551)
Public works.....	1,591,715	6,892	40,700	188,739	(1,355,384)
Community preservation.....	55,517	-	-	167,250	111,733
Human services.....	255,889	12,735	15,444	-	(227,710)
Culture and recreation.....	459,278	-	175,046	-	(284,232)
Claims and judgments.....	600,000	-	-	-	(600,000)
Total Governmental Activities.....	14,184,491	428,669	658,780	1,300,298	(11,796,744)
<i>Business-Type Activities:</i>					
Water.....	806,534	732,173	73,264	-	(1,097)
Sewer.....	462,954	539,388	24,421	6,897	107,752
Electric Light.....	5,393,614	5,489,394	-	-	95,780
Total Business-Type Activities.....	6,663,102	6,760,955	97,685	6,897	202,435
Total Primary Government.....	\$ 20,847,593	\$ 7,189,624	\$ 756,465	\$ 1,307,195	\$ (11,594,309)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (11,796,744)	\$ 202,435	\$ (11,594,309)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	10,664,811	-	10,664,811
Motor vehicle excise taxes.....	735,441	-	735,441
Community preservation tax.....	193,297	-	193,297
Penalties and interest on taxes.....	61,319	-	61,319
Payments in lieu of taxes.....	19,808	-	19,808
Grants and contributions not restricted to specific programs.....	680,405	-	680,405
Unrestricted investment income.....	21,981	27,800	49,781
<i>Transfers, net</i>	30,000	(30,000)	-
Total general revenues.....	<u>12,407,062</u>	<u>(2,200)</u>	<u>12,404,862</u>
Change in net assets.....	610,318	200,235	810,553
<i>Net Assets:</i>			
Beginning of year.....	<u>22,021,630</u>	<u>15,669,826</u>	<u>37,691,456</u>
End of year.....	\$ <u><u>22,631,948</u></u>	\$ <u><u>15,870,061</u></u>	\$ <u><u>38,502,009</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 2,166,565	\$ 2,472,695	\$ 2,387,807	\$ 7,027,067
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	360,195	6,092	-	366,287
Tax liens.....	22,367	-	-	22,367
Motor vehicle excise taxes.....	38,667	-	-	38,667
Intergovernmental.....	-	131,800	6,034	137,834
Tax foreclosures.....	<u>58,468</u>	<u>-</u>	<u>-</u>	<u>58,468</u>
TOTAL ASSETS.....	\$ <u>2,646,262</u>	\$ <u>2,610,587</u>	\$ <u>2,393,841</u>	\$ <u>7,650,690</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 92,251	\$ -	\$ 11,843	\$ 104,094
Accrued payroll.....	103,931	-	17,688	121,619
Tax refunds payable.....	22,116	-	-	22,116
Deferred revenues.....	<u>440,354</u>	<u>137,892</u>	<u>6,034</u>	<u>584,280</u>
TOTAL LIABILITIES.....	<u>658,652</u>	<u>137,892</u>	<u>35,565</u>	<u>832,109</u>
 FUND BALANCES:				
Nonspendable.....	-	-	391,021	391,021
Restricted.....	-	2,472,695	1,967,255	4,439,950
Assigned.....	143,646	-	-	143,646
Unassigned.....	<u>1,843,964</u>	<u>-</u>	<u>-</u>	<u>1,843,964</u>
TOTAL FUND BALANCES.....	<u>1,987,610</u>	<u>2,472,695</u>	<u>2,358,276</u>	<u>6,818,581</u>
TOTAL LIABILITIES AND FUND BALANCES.....	\$ <u>2,646,262</u>	\$ <u>2,610,587</u>	\$ <u>2,393,841</u>	\$ <u>7,650,690</u>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2012

Total governmental fund balances.....		\$ 6,818,581
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		18,103,407
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		584,280
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Capital lease obligations.....	(121,005)	
Capital assessment payable.....	(1,497,514)	
Compensated absences.....	(153,400)	
Court judgments.....	(600,000)	
Other postemployment benefits.....	<u>(502,401)</u>	
Net effect of reporting long-term liabilities.....		<u>(2,874,320)</u>
Net assets of governmental activities.....		<u>\$ 22,631,948</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2012

	General	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 10,630,533	\$ -	\$ -	\$ -	\$ 10,630,533
Motor vehicle excise taxes.....	741,918	-	-	-	741,918
Penalties and interest on taxes.....	61,319	-	-	-	61,319
Payments in lieu of taxes.....	19,808	-	-	-	19,808
Intergovernmental.....	836,955	134,636	944,309	262,856	2,178,756
Departmental and other.....	213,070	-	-	215,277	428,347
Community preservation.....	-	227,538	-	-	227,538
Contributions.....	-	-	-	454,092	454,092
Investment income.....	11,488	10,493	-	-	21,981
TOTAL REVENUES.....	12,515,091	372,667	944,309	932,225	14,764,292
EXPENDITURES:					
Current:					
General government.....	948,676	-	-	218,710	1,167,386
Public safety.....	1,433,608	-	-	62,421	1,496,029
Education.....	7,563,320	-	-	-	7,563,320
Public works.....	1,308,407	-	-	284,784	1,593,191
Community development.....	-	55,517	-	-	55,517
Human services.....	184,818	-	-	17,293	202,111
Culture and recreation.....	202,443	-	-	150,090	352,533
Pension benefits.....	462,300	-	-	-	462,300
Property and liability insurance.....	74,325	-	-	-	74,325
Employee benefits.....	374,288	-	-	-	374,288
Capital outlay.....	-	-	2,441,823	-	2,441,823
TOTAL EXPENDITURES.....	12,552,185	55,517	2,441,823	733,298	15,782,823
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(37,094)	317,150	(1,497,514)	198,927	(1,018,531)
OTHER FINANCING SOURCES (USES):					
Capital lease financing.....	151,256	-	-	-	151,256
Capital assessment financing.....	-	-	1,497,514	-	1,497,514
Transfers in.....	43,300	-	-	87,420	130,720
Transfers out.....	(87,420)	-	-	(13,300)	(100,720)
TOTAL OTHER FINANCING SOURCES (USES).....	107,136	-	1,497,514	74,120	1,678,770
NET CHANGE IN FUND BALANCES.....	70,042	317,150	-	273,047	660,239
FUND BALANCES AT BEGINNING OF YEAR.....	1,917,568	2,155,545	-	2,085,229	6,158,342
FUND BALANCES AT END OF YEAR.....	\$ 1,987,610	\$ 2,472,695	\$ -	\$ 2,358,276	\$ 6,818,581

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....	\$	660,239
<p>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.</p>		
Capital outlay.....		3,017,873
Depreciation expense.....		<u>(793,333)</u>
Net effect of reporting capital assets.....		2,224,540
<p>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.....</p>		
		517
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital assessment financing.....		(1,497,514)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		22,100
Net change in other postemployment benefits.....		(78,559)
Net change in capital lease obligation.....		(121,005)
Net change in claims and judgments.....		<u>(600,000)</u>
Net effect of recording long-term liabilities.....		<u>(777,464)</u>
Change in net assets of governmental activities.....	\$	<u><u>610,318</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2011	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 2,063,833	\$ 850,619	\$ 2,095,687	\$ 5,010,139
Restricted cash and cash equivalents.....	-	-	63,521	63,521
Investments.....	-	-	2,117,586	2,117,586
Receivables, net of allowance for uncollectibles:				
User fees.....	283,307	329,130	600,659	1,213,096
Special assessments.....	-	21,454	-	21,454
Intergovernmental.....	-	-	168,286	168,286
Inventory.....	-	-	11,561	11,561
Prepaid expenses.....	-	-	456,047	456,047
Total current assets.....	<u>2,347,140</u>	<u>1,201,203</u>	<u>5,513,347</u>	<u>9,061,690</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	309,013	-	309,013
Capital assets:				
Nondepreciable.....	1,271,594	279,827	5,791	1,557,212
Depreciable.....	2,814,965	2,000,581	4,455,935	9,271,481
Total noncurrent assets.....	<u>4,086,559</u>	<u>2,589,421</u>	<u>4,461,726</u>	<u>11,137,706</u>
TOTAL ASSETS.....	\$ <u>6,433,699</u>	\$ <u>3,790,624</u>	\$ <u>9,975,073</u>	\$ <u>20,199,396</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	\$ 264,005	\$ 7,596	\$ 337,652	\$ 609,253
Accrued payroll.....	9,183	3,872	-	13,055
Accrued interest.....	28,502	19,801	-	48,303
Customer deposits payable.....	-	-	63,521	63,521
Compensated absences.....	5,025	875	-	5,900
Bonds payable.....	105,000	66,000	-	171,000
Total current liabilities.....	<u>411,715</u>	<u>98,144</u>	<u>401,173</u>	<u>911,032</u>
NONCURRENT:				
Compensated absences.....	15,075	2,625	-	17,700
Other postemployment benefits.....	24,579	24,579	161,445	210,603
Bonds payable.....	2,240,000	950,000	-	3,190,000
Total noncurrent liabilities.....	<u>2,279,654</u>	<u>977,204</u>	<u>161,445</u>	<u>3,418,303</u>
TOTAL LIABILITIES.....	<u>2,691,369</u>	<u>1,075,348</u>	<u>562,618</u>	<u>4,329,335</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	3,345,291	2,107,431	4,461,726	9,914,448
Unrestricted.....	397,039	607,845	4,950,729	5,955,613
TOTAL NET ASSETS.....	\$ <u>3,742,330</u>	\$ <u>2,715,276</u>	\$ <u>9,412,455</u>	\$ <u>15,870,061</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2011	Total
OPERATING REVENUES:				
Charges for services	\$ 732,173	\$ 539,388	\$ 5,472,988	\$ 6,744,549
Other fees.....	-	-	16,406	16,406
TOTAL OPERATING REVENUES	732,173	539,388	5,489,394	6,760,955
OPERATING EXPENSES:				
Cost of services and administration	650,378	348,246	965,778	1,964,402
Purchased power and production.....	-	-	4,201,474	4,201,474
Depreciation.....	124,042	93,811	226,362	444,215
TOTAL OPERATING EXPENSES	774,420	442,057	5,393,614	6,610,091
OPERATING INCOME (LOSS).....	(42,247)	97,331	95,780	150,864
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	-	27,800	27,800
Interest expense.....	(32,114)	(20,897)	-	(53,011)
Premium from issuance of bonds and notes.....	73,264	24,421	-	97,685
Capital grants.....	-	6,897	-	6,897
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	41,150	10,421	27,800	79,371
INCOME (LOSS) BEFORE TRANSFERS.....	(1,097)	107,752	123,580	230,235
TRANSFERS:				
Transfers out.....	-	-	(30,000)	(30,000)
CHANGE IN NET ASSETS.....	(1,097)	107,752	93,580	200,235
NET ASSETS AT BEGINNING OF YEAR.....	3,743,427	2,607,524	9,318,875	15,669,826
NET ASSETS AT END OF YEAR.....	\$ 3,742,330	\$ 2,715,276	\$ 9,412,455	\$ 15,870,061

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2011	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 742,912	\$ 423,259	\$ 5,466,638	\$ 6,632,809
Payments to vendors.....	(369,270)	(229,189)	(4,832,512)	(5,430,971)
Payments to employees.....	(278,995)	(118,136)	(515,980)	(913,111)
NET CASH FROM OPERATING ACTIVITIES.....	94,647	75,934	118,146	288,727
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	-	-	(30,000)	(30,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	2,045,000	625,000	-	2,670,000
Premium from the issuance of bonds and notes.....	73,264	24,421	-	97,685
Capital grants.....	-	6,897	-	6,897
Acquisition and construction of capital assets.....	(537,888)	(24,823)	(148,963)	(711,674)
Principal payments on bonds and notes.....	(165,000)	(47,200)	-	(212,200)
Interest expense.....	(8,960)	(14,738)	-	(23,698)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	1,406,416	569,557	(148,963)	1,827,010
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	-	(2,117,586)	(2,117,586)
Investment income.....	-	-	27,800	27,800
NET CASH FROM INVESTING ACTIVITIES.....	-	-	(2,089,786)	(2,089,786)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,501,063	645,491	(2,150,603)	(4,049)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	562,770	205,128	4,309,811	5,077,709
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,063,833	\$ 850,619	\$ 2,159,208	\$ 5,073,660
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (42,247)	\$ 97,331	\$ 95,780	\$ 150,864
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	124,042	93,811	226,362	444,215
Changes in assets and liabilities:				
User fees.....	10,739	(139,063)	161,231	32,907
Special assessments.....	-	22,934	-	22,934
Intergovernmental.....	-	-	(84,666)	(84,666)
Prepaid expenses.....	-	-	(45,289)	(45,289)
Warrants payable.....	2,811	4,835	(175,086)	(167,440)
Accrued payroll.....	1,591	(24)	-	1,567
Customer deposits.....	-	-	(99,321)	(99,321)
Accrued compensated absences.....	1,900	300	-	2,200
Other postemployment benefits.....	(4,189)	(4,190)	39,135	30,756
Total adjustments.....	136,894	(21,397)	22,366	137,863
NET CASH FROM OPERATING ACTIVITIES.....	\$ 94,647	\$ 75,934	\$ 118,146	\$ 288,727
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Purchase of equipment on account.....	\$ 254,953	\$ -	\$ -	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 313,044	\$ 126,688
LIABILITIES		
Warrants payable.....	55	-
Accrued payroll.....	-	2,552
Liabilities due depositors.....	-	124,136
TOTAL LIABILITIES.....	55	126,688
NET ASSETS		
Held in trust for private and other purposes.....	\$ 312,989	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income:	
Interest.....	\$ 5,861
<u>DEDUCTIONS:</u>	
Administration.....	9,500
Educational scholarships.....	53
TOTAL DEDUCTIONS.....	9,553
CHANGE IN NET ASSETS.....	(3,692)
NET ASSETS AT BEGINNING OF YEAR.....	316,681
NET ASSETS AT END OF YEAR.....	\$ 312,989

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation act fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, and for recreational use and community housing.

The *school capital projects fund* is a capital projects fund used to account for the financial resources for the construction and renovations of the Town's school buildings.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The water *enterprise fund* is used to account for the Town's water activities.

The sewer *enterprise fund* is used to account for the Town's sewer activities.

The electric light *enterprise fund* is used to account for the Town's electric light activities.

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

The following fiduciary fund types are reported:

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st 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 August 1st, November 1st, February 1st and May 1st 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 of the levy.

Real estate tax liens are processed four months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

Water and Sewer

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Intergovernmental

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

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

F. Inventories*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Inventories of the Electric Light Plant enterprise fund are stated at the lower of cost or market. Cost for materials and supplies inventories are determined by the first-in, first-out method.

G. Restricted Assets

Certain assets (customer deposits) of the electric light enterprise fund are classified as restricted as these amounts are available to the Department only if a customer account is terminated with an outstanding balance.

H. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is

not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land.....	N/A
Land improvements.....	20
Buildings.....	40
Machinery and equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	40-50

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

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as “internal balances”.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

J. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents amounts of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts.

"Community preservation" represents amounts held for uses restricted by law for community preservation purposes.

"Gifts and grants" represents restrictions placed on assets from outside parties, and consist primarily of gifts and federal and state grants.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

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

Investment income from proprietary funds is retained by the fund.

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Groveland's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$10,565,684 and the bank balance totaled \$10,759,849. Of the bank

balance, \$2,739,774 was covered by Federal Depository Insurance, \$5,211,361 was covered by the Depositors Insurance Fund, and \$2,808,714 was uninsured and uncollateralized.

For disclosure purposes, there were no significant differences in amounts or classifications of the Municipal Light Department’s balances at June 30, 2012 as compared with the December 31, 2011 amounts presented above.

Investments

As of June 30, 2012, the Town of Groveland had the following investments:

Investment Type	Fair Value	Maturity 6-10 Years	Rating
<u>Debt Securities:</u>			
Municipal Bonds.....	\$ 1,583,493	\$ 1,583,493	AA1 to AA2
<u>Other Investments:</u>			
Equities Securities.....	534,093		N/A
MMDT	1,965,567		Not Rated
Equity Mutual Funds.....	<u>9,208</u>		N/A
Total Investments.....	<u>\$ 4,092,361</u>		

The municipal bonds and the equity securities are investments of the Municipal Light Department.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$1,583,493 of municipal bonds, \$534,093 of equity securities, \$1,965,567 in MMDT, and \$9,208 in equity market mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

The Town does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

NOTE 3 – RECEIVABLES

At June 30, 2012, receivables for the individual major, non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 366,355	\$ (68)	\$ 366,287
Tax liens.....	22,367	-	22,367
Motor vehicle excise taxes.....	55,162	(16,495)	38,667
Intergovernmental.....	137,834	-	137,834
Total.....	<u>\$ 581,718</u>	<u>\$ (16,563)</u>	<u>\$ 565,155</u>

At June 30, 2012 (December 31, 2011 for the Electric Light fees), receivables for the water, sewer, and electric plant enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 283,307	\$ -	\$ 283,307
Sewer fees.....	329,130	-	329,130
Sewer special assessments.....	330,467	-	330,467
Electric light fees.....	600,659	-	600,659
Electric light intergovernmental.....	168,286	-	168,286
Total.....	<u>\$ 1,711,849</u>	<u>\$ -</u>	<u>\$ 1,711,849</u>

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

	General Fund	Community Preservation	Other Governmental Funds	Total
<u>Receivable and other asset types:</u>				
Real estate and other taxes.....	\$ 320,852	\$ 6,092	\$ -	\$ 326,944
Tax liens.....	22,367	-	-	22,367
Motor vehicle excise taxes.....	38,667	-	-	38,667
Intergovernmental.....	-	131,800	6,034	137,834
Tax foreclosures.....	58,468	-	-	58,468
Total.....	<u>\$ 440,354</u>	<u>\$ 137,892</u>	<u>\$ 6,034</u>	<u>\$ 584,280</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,916,644	\$ -	\$ -	\$ 4,916,644
Construction in progress.....	<u>219,361</u>	<u>2,441,823</u>	<u>(219,361)</u>	<u>2,441,823</u>
Total capital assets not being depreciated.....	<u>5,136,005</u>	<u>2,441,823</u>	<u>(219,361)</u>	<u>7,358,467</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,163,692	-	-	1,163,692
Buildings and building improvements.....	8,047,638	232,760	-	8,280,398
Machinery and equipment.....	1,273,304	185,355	-	1,458,659
Vehicles.....	2,152,225	25,600	(64,193)	2,113,632
Infrastructure.....	<u>12,822,195</u>	<u>351,696</u>	<u>-</u>	<u>13,173,891</u>
Total capital assets being depreciated.....	<u>25,459,054</u>	<u>795,411</u>	<u>(64,193)</u>	<u>26,190,272</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(288,294)	(31,039)	-	(319,333)
Buildings and building improvements.....	(4,981,528)	(187,515)	-	(5,169,043)
Machinery and equipment.....	(956,850)	(84,828)	-	(1,041,678)
Vehicles.....	(1,245,986)	(117,343)	64,193	(1,299,136)
Infrastructure.....	<u>(7,243,534)</u>	<u>(372,608)</u>	<u>-</u>	<u>(7,616,142)</u>
Total accumulated depreciation.....	<u>(14,716,192)</u>	<u>(793,333)</u>	<u>64,193</u>	<u>(15,445,332)</u>
Total capital assets being depreciated, net.....	<u>10,742,862</u>	<u>2,078</u>	<u>-</u>	<u>10,744,940</u>
Total governmental activities capital assets, net.....	<u>\$ 15,878,867</u>	<u>\$ 2,443,901</u>	<u>\$ (219,361)</u>	<u>\$ 18,103,407</u>

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 478,753	\$ -	\$ -	\$ 478,753
Construction in progress.....	-	792,841	-	792,841
Total capital assets not being depreciated.....	478,753	792,841	-	1,271,594
<u>Capital assets being depreciated:</u>				
Buildings.....	48,542	-	-	48,542
Machinery and equipment.....	295,177	-	-	295,177
Vehicles.....	24,307	-	-	24,307
Infrastructure.....	4,426,158	-	-	4,426,158
Total capital assets being depreciated.....	4,794,184	-	-	4,794,184
<u>Less accumulated depreciation for:</u>				
Buildings.....	(28,914)	-	-	(28,914)
Machinery and equipment.....	(96,371)	(28,852)	-	(125,223)
Vehicles.....	(24,307)	-	-	(24,307)
Infrastructure.....	(1,705,585)	(95,190)	-	(1,800,775)
Total accumulated depreciation.....	(1,855,177)	(124,042)	-	(1,979,219)
Total capital assets being depreciated, net.....	2,939,007	(124,042)	-	2,814,965
Total business-type activities capital assets, net.....	\$ 3,417,760	\$ 668,799	\$ -	\$ 4,086,559
	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 255,004	\$ -	\$ -	\$ 255,004
Construction in progress.....	-	24,823	-	24,823
Total capital assets not being depreciated.....	255,004	24,823	-	279,827
<u>Capital assets being depreciated:</u>				
Vehicles.....	19,450	-	-	19,450
Infrastructure.....	4,590,076	-	-	4,590,076
Total capital assets being depreciated.....	4,609,526	-	-	4,609,526
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(2,918)	(1,945)	-	(4,863)
Infrastructure.....	(2,512,216)	(91,866)	-	(2,604,082)
Total accumulated depreciation.....	(2,515,134)	(93,811)	-	(2,608,945)
Total capital assets being depreciated, net.....	2,094,392	(93,811)	-	2,000,581
Total business-type activities capital assets, net.....	\$ 2,349,396	\$ (68,988)	\$ -	\$ 2,280,408

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Light:				
<u>Capital assets not being depreciated:</u>				
Land and land improvements.....	\$ 5,791	\$ -	\$ -	\$ 5,791
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	221,317	-	-	221,317
Equipment.....	957,146	48,146	-	1,005,292
Infrastructure.....	6,181,216	100,818	(31,567)	6,250,467
Total capital assets being depreciated.....	7,359,679	148,964	(31,567)	7,477,076
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(89,534)	(4,426)	-	(93,960)
Equipment.....	(587,233)	(51,434)	-	(638,667)
Infrastructure.....	(2,149,579)	(170,502)	31,567	(2,288,514)
Total accumulated depreciation.....	(2,826,346)	(226,362)	31,567	(3,021,141)
Total Electric Light capital assets, net.....	4,533,333	(77,398)	-	4,455,935
Total capital assets being depreciated, net.....	\$ 4,539,124	\$ (77,398)	\$ -	\$ 4,461,726

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

Governmental Activities:

General government.....	\$ 68,161
Public safety.....	142,599
Education.....	120,540
Public works.....	401,752
Human services.....	781
Culture and recreation.....	59,500

Total depreciation expense - governmental activities..... \$ 793,333

Business-Type Activities:

Water.....	\$ 124,042
Sewer.....	93,811
Electric light.....	226,362

Total depreciation expense - business-type activities..... \$ 444,215

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year end June 30, 2012 are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 87,420	\$ 87,420 (1)
Nonmajor Governmental Funds....	13,300	-	13,300 (2)
Electric Light Enterprise Fund.....	30,000	-	30,000 (3)
Total.....	\$ 43,300	\$ 87,420	\$ 130,720

- (1) Represents transfers to various special revenue funds from the General fund.
- (2) Represents a reserve fund transfer from the nonmajor special revenue fund to the General fund.
- (3) Represents a Payment in Lieu of Tax to the General fund for administration.

NOTE 6 – CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of an excavator and a loader. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Asset:	Governmental Activities
Machinery and equipment.....	\$ 151,256
Less: accumulated depreciation.....	(16,461)
Total.....	\$ 134,795

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>
2013.....	\$ 32,922
2014.....	32,922
2015.....	32,922
2016.....	<u>32,922</u>
Total minimum lease payments.....	131,686
Less: amounts representing interest.....	<u>(10,682)</u>
Present value of minimum lease payments.....	<u>\$ 121,005</u>

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2012, is as follows:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2011</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2012</u>
Enterprise Funds							
BAN	Water - Storage Tank & Mains.....	1.00%	1/19/12	\$ 65,000	\$ -	\$ 65,000	\$ -
BAN	Water.....	1.00%	1/19/12	100,000	-	100,000	-
BAN	Sewer.....	1.00%	1/19/12	<u>12,200</u>	<u>-</u>	<u>12,200</u>	<u>-</u>
	Total Enterprise Funds.....			<u>\$ 177,200</u>	<u>\$ -</u>	<u>\$ 177,200</u>	<u>\$ -</u>

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Water well.....	2032	120,000	2-3%	\$ -	\$ 120,000	\$ -	\$ 120,000
Water storage tank & mains.....	2032	925,000	2-3%	-	925,000	-	925,000
Water storage tank & mains II.....	2032	700,000	2-3%	-	700,000	-	700,000
Water 1.....	2032	262,000	2-3%	-	262,000	-	262,000
Water 2.....	2032	338,000	2-3%	300,000	38,000	-	338,000
Total Water enterprise debt.....				\$ 300,000	\$ 2,045,000	\$ -	\$ 2,345,000

Debt service requirements for principal and interest for the Water Enterprise Fund bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2013.....	\$ 105,000	\$ 62,893	\$ 167,893
2014.....	110,000	61,500	171,500
2015.....	115,000	59,300	174,300
2016.....	115,000	57,000	172,000
2017.....	115,000	54,700	169,700
2018.....	115,000	52,400	167,400
2019.....	115,000	50,100	165,100
2020.....	115,000	46,650	161,650
2021.....	130,000	43,200	173,200
2022.....	130,000	39,300	169,300
2023.....	100,000	35,400	135,400
2024.....	100,000	32,400	132,400
2025.....	110,000	29,400	139,400
2026.....	115,000	26,100	141,100
2027.....	115,000	22,650	137,650
2028.....	120,000	19,200	139,200
2029.....	125,000	15,600	140,600
2030.....	125,000	11,850	136,850
2031.....	135,000	8,100	143,100
2032.....	135,000	4,050	139,050
Totals	\$ 2,345,000	\$ 731,793	\$ 3,076,793

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Sewer.....	2019	\$ 357,000	4.70%	\$ 280,000	\$ -	\$ 35,000	\$ 245,000
Sewer.....	2032	146,000	2-3%	146,000	-	-	146,000
Sewer pump station repairs.....	2032	625,000	2-3%	625,000	-	-	625,000
Total Sewer enterprise debt.....				\$ 1,051,000	\$ -	\$ 35,000	\$ 1,016,000

Debt service requirements for principal and interest for the Sewer Enterprise Fund bonds are as follows:

Fiscal Year	Principal	Interest	Total
2013.....	\$ 66,000	\$ 31,775	\$ 97,775
2014.....	65,000	29,748	94,748
2015.....	65,000	27,503	92,503
2016.....	65,000	25,257	90,257
2017.....	65,000	23,012	88,012
2018.....	65,000	20,768	85,768
2019.....	70,000	18,522	88,522
2020.....	35,000	16,650	51,650
2021.....	35,000	15,600	50,600
2022.....	35,000	14,550	49,550
2023.....	35,000	13,500	48,500
2024.....	40,000	12,450	52,450
2025.....	45,000	11,250	56,250
2026.....	45,000	9,900	54,900
2027.....	45,000	8,550	53,550
2028.....	45,000	7,200	52,200
2029.....	45,000	5,850	50,850
2030.....	50,000	4,500	54,500
2031.....	50,000	3,000	53,000
2032.....	50,000	1,500	51,500
Totals.....	\$ 1,016,000	\$ 301,085	\$ 1,317,085

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012, the Town had no authorized and unissued debt outstanding.

Changes in Long-term Liabilities

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Governmental Activities:					
Capital lease obligations.....	\$ -	\$ 151,256	\$ (30,251)	\$ 121,005	\$ 30,251
Compensated Absences.....	175,500	21,775	(43,875)	153,400	38,350
Other postemployment benefits.....	423,842	219,259	(140,700)	502,401	-
Court judgments.....	-	600,000	-	600,000	-
Capital assessment payable.....	-	1,497,514	-	1,497,514	193,666
Total governmental activity long-term liabilities.....	<u>\$ 599,342</u>	<u>\$ 2,489,804</u>	<u>\$ (214,826)</u>	<u>\$ 2,874,320</u>	<u>\$ 262,267</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 726,000	\$ 2,670,000	\$ (35,000)	\$ 3,361,000	\$ 171,000
Compensated Absences.....	21,400	7,550	(5,350)	23,600	5,900
Other postemployment benefits.....	179,847	89,310	(58,554)	210,603	-
Total business-type activity long-term liabilities.....	<u>\$ 927,247</u>	<u>\$ 2,766,860</u>	<u>\$ (98,904)</u>	<u>\$ 3,595,203</u>	<u>\$ 176,900</u>

NOTE 9– CAPITAL ASSESSMENT PAYABLE

The Town has voted and authorized debt through the Pentucket Regional School District (PRSD) for renovations and construction at the Town's Bagnell Elementary School. PRSD maintains the bonds payable on their ledgers and assesses the Town its portion over the life of the debt service. During fiscal year 2012 approximately \$2.4 million of expenditures were incurred; a portion of which will be funded to PRSD by the Massachusetts School Building Authority. The capital assessment due as of June 30, 2012, based on expenditures incurred to date is approximately \$1.5 million.

NOTE 10– GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classification and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balance, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portion of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

The Town has classified its fund balances with the following hierarchy:

	GOVERNMENTAL FUNDS			
	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 391,021	\$ 391,021
Restricted for:				
Town grant funds.....	-	-	205,584	205,584
Community preservation fund.....	-	2,472,695	-	2,472,695
Receipts reserved for appropriations.....	-	-	99,378	99,378
Special revenue trust funds.....	-	-	78,788	78,788
Town revolving funds.....	-	-	141,324	141,324
Town donation fund.....	-	-	185,822	185,822
Other special revenue funds.....	-	-	1,252,159	1,252,159
Permanent fund spendable.....	-	-	4,200	4,200
Assigned for carryover encumbrances to:				
General government.....	70,100	-	-	70,100
Public works.....	73,546	-	-	73,546
Unassigned.....	1,843,964	-	-	1,843,964
TOTAL FUND BALANCES.....	\$ 1,987,610	\$ 2,472,695	\$ 2,358,276	\$ 6,818,581

NOTE 11 – RISK FINANCING

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 Town carries commercial insurance.

The Town participates in a health insurance risk pool trust administered by the Massachusetts Interlocal Insurance Association, Inc. (the MIIA). The MIIA obtains health insurance for member governments at costs eligible to larger groups. The MIIA offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the MIIA. The Town is obligated to pay the MIIA its required premiums and, in the event the MIIA is terminated, its pro-rata share of any deficit, should one exist.

The Town participates in a premium-based workers compensation plan for its active employees. The Town is not liable for any payments in excess of the annual premium.

NOTE 12 – PENSION PLAN

Plan Description - The Town contributes to the Essex Regional Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$157,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Essex Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth’s PERAC. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were approximately \$355,000, \$327,000, and \$325,000 respectively, which equaled its required contribution for each fiscal year.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Groveland administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2012, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents	25
Current active members	<u>42</u>
Total	<u><u>67</u></u>

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For fiscal year 2012, the Town contributed approximately \$199,000 towards these benefits.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 446,299
Interest on net OPEB obligation.....	21,884
Adjustments to annual required contribution.....	<u>(159,614)</u>
Annual OPEB cost/expense.....	308,569
Contributions made.....	<u>(199,254)</u>
Increase in net OPEB obligation.....	109,315
Net OPEB obligation - beginning of year.....	<u>603,689</u>
Net OPEB obligation - end of year.....	<u><u>\$ 713,004</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 308,569	64.6%	\$ 713,004
6/30/2011	327,584	63.9%	603,689
6/30/2010	545,267	50.5%	485,479

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2010, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
7/1/2010	\$ -	\$ 3,769,044	\$ 3,769,044	0%	N/A	N/A
7/1/2007	-	4,970,436	4,970,436	0%	2,573,184	193.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of 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, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.00% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8% initially, graded to 5% over 5 years. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.0% per year. The remaining amortization period at June 30, 2012 is 26 years.

NOTE 14 – CLAIMS AND JUDGMENTS

The Town has recorded a liability in the amount of \$600,000 relating to a settlement reached with the City of Haverhill and other parties for its share of the closure costs of a landfill. The settlement is subject to Town Meeting approval and this amount represents management's best estimate of the liability as of June 30, 2012.

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

The Town has various legal actions and claims pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Governmental Operations*, which is required to be implemented in fiscal year 2015.

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

Required Supplementary Information

Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 10,642,708	\$ 10,642,708	\$ 10,638,457	\$ -	\$ (4,251)
Motor vehicle excise taxes.....	679,000	679,000	741,918	-	62,918
Penalties and interest on taxes.....	48,000	48,000	61,319	-	13,319
Payments in lieu of taxes.....	15,000	15,000	19,808	-	4,808
Intergovernmental.....	770,462	770,462	680,405	-	(90,057)
Departmental and other.....	121,000	178,000	204,625	-	26,625
Investment income.....	13,000	13,000	11,488	-	(1,512)
TOTAL REVENUES.....	12,289,170	12,346,170	12,358,020	-	11,850
EXPENDITURES:					
Current:					
General government.....	884,378	922,678	760,876	70,100	91,702
Public safety.....	1,460,121	1,475,176	1,433,608	-	41,568
Education.....	7,497,808	7,563,320	7,563,320	-	-
Public works.....	1,165,575	1,240,075	1,157,151	73,546	9,378
Human services.....	241,331	208,731	184,818	-	23,913
Culture and recreation.....	219,074	219,074	202,443	-	16,631
Pension benefits.....	305,750	305,750	305,750	-	-
Property and liability insurance.....	85,000	75,000	74,325	-	675
Employee benefits.....	374,000	379,769	374,288	-	5,481
Debt service:					
Principal.....	25,000	-	-	-	-
Interest.....	45,000	25,064	-	-	25,064
TOTAL EXPENDITURES.....	12,303,037	12,414,637	12,056,579	143,646	214,412
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(13,867)	(68,467)	301,441	(143,646)	226,262
OTHER FINANCING SOURCES (USES):					
Transfers in.....	33,300	43,300	43,300	-	-
Transfers out.....	-	(113,050)	(113,050)	-	-
TOTAL OTHER FINANCING SOURCES (USES)....	33,300	(69,750)	(69,750)	-	-
NET CHANGE IN FUND BALANCE.....	19,433	(138,217)	231,691	(143,646)	226,262
BUDGETARY FUND BALANCE, Beginning of year.....	541,569	541,569	541,569	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 561,002	\$ 403,352	\$ 773,260	\$ (143,646)	\$ 226,262

See notes to required supplementary information.

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**Essex Regional Retirement System
Schedule of Funding Progress**

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 Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 278,332,006	\$ 536,115,536	\$ 257,783,530	51.9%	\$ 119,707,156	215.3%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%

The Town's share of the UAAL, as of January 1, 2011, is approximately 1.68%.

See notes to required supplementary information.

**Essex Regional Retirement System
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Groveland	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2012	\$ 21,084,190	\$ 21,084,190	100%	\$ 355,000	1.68%
2011	19,484,573	19,484,573	100%	327,000	1.68%
2010	17,648,430	17,648,430	100%	325,000	1.84%
2009	16,326,599	16,326,599	100%	286,000	1.75%
2008	15,623,540	15,623,540	100%	318,000	2.04%
2007	15,788,864	15,788,864	100%	307,000	1.94%
2006	16,622,274	16,622,274	100%	267,000	1.61%
2005	13,080,011	13,080,011	100%	266,000	2.03%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, over time, the annual required contributions to the actual contributions made.

The Schedule of Actuarial Methods and Assumptions present factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 3,769,044	\$ 3,769,044	0%	N/A	N/A
7/1/2007	-	4,970,436	4,970,436	0%	2,573,184	193.2%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2012	\$ 446,299	\$ 199,254	44.6%
2011	467,888	209,374	44.7%
2010	557,920	275,121	49.3%
2009	390,889	175,556	44.9%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.
Information for prior years is not available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2012

Actuarial Methods:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Amortization as level dollar amount over 30 years
Remaining amortization period	27 years as of July 1, 2010
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate	8.0% graded to 5.0% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	25
Current active members	<u>42</u>
Total	<u><u>67</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Massachusetts General Laws (MGL) requires the Town to adopt a balanced budget that is approved by Town Meeting. The Board of Selectmen presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget authorized approximately \$12.3 million in appropriations and other amounts to be raised including approximately \$75,000 in amounts carried over from previous fiscal years.

The Town Accountant has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis.....	\$ 231,691
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	(153,725)
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	14,192
Net change in revenues in recording tax refunds payable.....	(22,116)
Increase in revenues due to on-behalf payments.....	156,550
Increase in expenditures due to on-behalf payments.....	<u>(156,550)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 70,042</u>

NOTE B – PENSION PLAN

The Town contributes to the Essex Regional Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Essex Regional Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	24 years remaining as of July 1, 2011, closed
Asset Valuation Method.....	20% of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value and must be within 20% of market value of the assets.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	5.00%
Cost of living adjustments.....	3.00% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	1,624
Terminated participants entitled to a return of their employee contributions.....	844
Terminated participants with a vested right to a deferred or immediate benefit.....	70
Active participants.....	<u>3,013</u>
Total.....	<u><u>5,551</u></u>

NOTE C – OTHER POST-EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Other Post Employment Benefit Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

The Town currently finances its other post-employment benefits (OPEB) on combined pre-funded and a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) was 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

***Report on Internal Control Over Financial
Reporting and on Compliance***

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

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2012 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2011), which collectively comprise the Town of Groveland, Massachusetts' basic financial statements and have issued our report thereon dated July 2, 2013. Our report was modified to include a reference to another auditor. 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. Another auditor audited the financial statements of the Groveland Municipal Light Department, as described in our report on the Town of Groveland, Massachusetts' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Groveland, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Groveland, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Groveland, Massachusetts' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses:

An inadequate design of internal control over the preparation of financial statements being audited has been noted. In addition, the Town does not have sufficient internal controls in place to assure that all activity recorded within the general ledger is complete and accurate and supported by adequate documentation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Groveland, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter dated July 2, 2013.

We noted certain other matters that we reported to management of the Town of Groveland, Massachusetts in a separate letter dated July 2, 2013.

This report is intended solely for the information and use of management, the Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Powers & Sullivan LLC". The signature is written in black ink and is positioned above the date.

July 2, 2013