

TOWN OF GROVELAND, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2014

TOWN OF GROVELAND, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Groveland Municipal Light Department as of December 31, 2013, which is both a major fund and 51%, 61%, and 83%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Groveland Municipal Light Department, is based solely on the report of the other 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of 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, 2014 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015 on our consideration of the Town of Groveland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Town of Groveland, Massachusetts' internal control over financial reporting and compliance.

Powers + Juliani, LLC

February 26, 2015

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 year ended June 30, 2014. 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 position* presents information on all assets and liabilities, and deferred inflow/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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 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 the School capital project 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.

The Town maintains two types of fiduciary funds:

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.

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 position 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 \$24.2 million and the business-type activities by \$16.1 million at the close of the most recent year. Key components of the Town's activities are presented below.

Governmental Activities

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 9,176,614	\$ 8,617,284
Capital assets.....	23,296,772	22,857,586
Total assets.....	<u>32,473,386</u>	<u>31,474,870</u>
Liabilities:		
Current liabilities (excluding debt).....	371,568	967,291
Noncurrent liabilities (excluding debt).....	920,217	716,861
Current debt.....	291,360	285,781
Noncurrent debt.....	6,733,751	6,019,286
Total liabilities.....	<u>8,316,896</u>	<u>7,989,219</u>
Net Position:		
Net investment in capital assets.....	16,271,661	16,552,519
Restricted.....	3,827,944	3,440,349
Unrestricted.....	4,056,885	3,492,783
Total net position.....	<u>\$ 24,156,490</u>	<u>\$ 23,485,651</u>

Governmental net position of \$16.3 million (67%) 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 net position, \$3.8 million (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$4.1 million (17%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities increased the Town's net position by \$671,000 during 2014 as compared to an increase of \$854,000 in 2013. The increases in the past several years mainly relate to various School, DPW, and Community Development capital grants as well as increased collections of most general revenues.

	<u>2014</u>	<u>2013</u>
Program Revenues:		
Charges for services.....	\$ 688,386	\$ 455,962
Operating grants and contributions.....	684,576	736,101
Capital grants and contributions.....	591,094	509,760
General Revenues:		
Real estate and personal property taxes.....	11,788,518	11,299,099
Motor vehicle and other excise taxes.....	907,320	809,657
Nonrestricted grants.....	840,210	798,158
Unrestricted investment income.....	24,101	16,318
Other revenues.....	425,703	367,756
Total revenues.....	<u>15,949,908</u>	<u>14,992,811</u>
Expenses:		
General Government.....	1,460,237	1,327,251
Public Safety.....	2,227,185	2,072,497
Education.....	8,586,625	8,288,563
Public Works.....	2,070,774	1,735,368
Community Development.....	48,057	120,536
Human Services.....	289,470	267,005
Culture and Recreation.....	531,721	462,888
Claims and judgments.....	100,000	-
Total expenses.....	<u>15,314,069</u>	<u>14,274,108</u>
Excess before transfers.....	635,839	718,703
Transfers.....	<u>35,000</u>	<u>135,000</u>
Change in net position.....	670,839	853,703
Net position - beginning.....	<u>23,485,651</u>	<u>22,631,948</u>
Net position - ending.....	\$ <u><u>24,156,490</u></u>	\$ <u><u>23,485,651</u></u>

Business-type Activities

The Town's business-type activities exceeded liabilities by \$16.5 million at year end and net position increased by \$631,000 in 2014. The water, sewer, and electric light department's change in net position each amounted to \$212,000, \$(134,000), and \$554,000, respectively, during 2014.

Water Activities

Water business-type activities assets exceeded liabilities by \$4.1 million at the close of 2014. Net investment in capital assets was \$3.6 million (89%) and unrestricted net position was \$459,000 (11%). Net position increased during 2014 by \$212,000 compared to an increase of \$106,000 in the prior year.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 568,842	\$ 458,545
Capital assets.....	<u>5,731,947</u>	<u>5,781,050</u>
Total assets.....	<u>6,300,789</u>	<u>6,239,595</u>
Liabilities:		
Current liabilities (excluding debt).....	47,116	120,408
Noncurrent liabilities (excluding debt).....	63,200	30,494
Current debt.....	115,000	110,000
Noncurrent debt.....	<u>2,015,000</u>	<u>2,130,000</u>
Total liabilities.....	<u>2,240,316</u>	<u>2,390,902</u>
Net Position:		
Net investment in capital assets.....	3,601,947	3,544,734
Unrestricted.....	<u>458,526</u>	<u>303,959</u>
Total net position.....	<u>\$ 4,060,473</u>	<u>\$ 3,848,693</u>
Program Revenues:		
Charges for services.....	\$ 772,370	\$ 705,428
Expenses:		
Water.....	<u>560,590</u>	<u>499,065</u>
Excess (Deficiency) before transfers.....	211,780	206,363
Transfers.....	<u>-</u>	<u>(100,000)</u>
Change in net position.....	<u>211,780</u>	<u>106,363</u>
Net position - beginning.....	<u>3,848,693</u>	<u>3,742,330</u>
Net position - ending.....	<u>\$ 4,060,473</u>	<u>\$ 3,848,693</u>

Sewer Activities

Sewer business-type activities assets exceeded liabilities by \$2.6 million at the close of 2014. Net investment in capital assets was \$2.2 million (83%) and unrestricted net position was \$436,000 (17%). Net position decreased during 2014 by \$134,000 compared to an increase of \$36,000 in the prior year.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 662,133	\$ 838,956
Noncurrent assets (excluding capital).....	219,186	261,224
Capital assets.....	<u>2,869,602</u>	<u>2,689,741</u>
Total assets.....	<u>3,750,921</u>	<u>3,789,921</u>
Liabilities:		
Current liabilities (excluding debt).....	55,491	66,020
Noncurrent liabilities (excluding debt).....	53,075	22,319
Current debt.....	205,000	65,000
Noncurrent debt.....	<u>820,000</u>	<u>885,000</u>
Total liabilities.....	<u>1,133,566</u>	<u>1,038,339</u>
Net Position:		
Net investment in capital assets.....	2,181,550	1,974,293
Unrestricted.....	<u>435,805</u>	<u>777,289</u>
Total net position.....	<u>\$ 2,617,355</u>	<u>\$ 2,751,582</u>
Program Revenues:		
Charges for services.....	\$ 380,420	\$ 394,545
Capital grants and contributions.....	<u>-</u>	<u>11,359</u>
Total revenues.....	<u>380,420</u>	<u>405,904</u>
Expenses:		
Sewer.....	<u>514,647</u>	<u>369,598</u>
Change in net position.....	(134,227)	36,306
Net position - beginning.....	<u>2,751,582</u>	<u>2,715,276</u>
Net position - ending.....	<u>\$ 2,617,355</u>	<u>\$ 2,751,582</u>

Electric Activities

Electric business-type activities assets exceeded liabilities by \$9.8 million at the close of calendar year 2013. Net investment in capital assets was \$4.7 million (48%) and unrestricted net position was \$5.1 million (52%). Net position increased during calendar year 2013 by approximately \$554,000 compared to a decrease of approximately \$188,000 in the prior year.

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Assets:		
Current assets.....	\$ 5,548,512	\$ 5,354,278
Capital assets.....	4,669,285	4,487,910
Total assets.....	10,217,797	9,842,188
Liabilities:		
Current liabilities (excluding debt).....	267,792	417,957
Noncurrent liabilities (excluding debt).....	172,611	200,580
Total liabilities.....	440,403	618,537
Net Position:		
Net investment in capital assets.....	4,669,285	4,487,910
Unrestricted.....	5,108,109	4,735,741
Total net position.....	\$ 9,777,394	\$ 9,223,651
Program Revenues:		
Charges for services.....	\$ 4,856,009	\$ 5,115,603
General Revenues:		
Unrestricted investment income.....	130,992	160,023
Total revenues.....	4,987,001	5,275,626
Expenses:		
Electric Light.....	4,398,258	5,429,430
Excess (Deficiency) before transfers.....	588,743	(153,804)
Transfers.....	(35,000)	(35,000)
Change in net position.....	553,743	(188,804)
Net position - beginning.....	9,223,651	9,412,455
Net position - ending.....	\$ 9,777,394	\$ 9,223,651

Financial Analysis of the Government's Major 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$7.8 million, an increase of \$320,000 from the prior year.

General Fund

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$1.6 million, while total fund balance was \$1.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 11.3% of total general fund expenditures, while total fund balance represents approximately 13.3% of that same amount.

The general fund virtually broke even for the year.

Community Preservation Major Fund

The Community Preservation fund had an ending fund balance at June 30, 2014, of \$3.2 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching State grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historical resources, land for recreational use and community housing. The fund increased by \$444,000 during 2014.

School Capital Projects Major Fund

The School Capital Project fund is used to account for financial resources to be used for construction and renovation activities at the Bagnell Elementary School. The fund received capital grant revenue of \$5,600 and capital assessment financing of \$1,006,000 million to finance \$1,011,000 of renovations made during the year. The fund balance was zero at June 30, 2014.

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 2014 approved budget authorized \$13.6 million in appropriations and other amounts to be raised. During 2014, Town meeting also approved \$700,000 for the Haverhill landfill settlement and other net increases, mainly DPW expenditures, totaling \$214,000.

Actual revenues exceeded budgeted amounts by \$267,000 and actual expenditures (including carryovers) were less than budgeted amounts by \$112,000.

Capital Asset and Debt Administration

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

During 2014 the Town expended \$1,213,000 on governmental activities capital assets consisting mainly of school building renovations and construction, infrastructure improvements, machinery and equipment, and vehicles. The business-type activities expended approximately \$780,000 consisting mainly of additions to the electric plant, sewer pump station improvements, and water infrastructure.

Outstanding long-term debt of the business type activities, as of June 30, 2014, totaled \$3 million, of which \$885,000 related to sewer projects and \$2.1 million related to water projects.

The Town has also recorded a liability of \$7.0 million in capital assessments payable associated with the construction and renovation of 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, 183 Main Street, Groveland, MA 01834.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents..... \$	8,040,381	\$ 1,658,103	\$ 9,698,484
Restricted cash and cash equivalents.....	-	68,644	68,644
Investments.....	11,304	3,037,870	3,049,174
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	500,936	-	500,936
Tax liens.....	22,367	-	22,367
Motor vehicle excise taxes.....	74,975	-	74,975
Water fees.....	-	385,324	385,324
Sewer fees.....	-	269,782	269,782
Electric light fees.....	-	598,942	598,942
Special assessments.....	-	21,043	21,043
Intergovernmental.....	468,183	51	468,234
Tax foreclosures.....	58,468	-	58,468
Inventory.....	-	11,561	11,561
Prepaid expenses.....	-	728,167	728,167
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	219,186	219,186
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	13,405,386	3,861,381	17,266,767
Depreciable.....	9,891,386	9,409,453	19,300,839
TOTAL ASSETS.....	32,473,386	20,269,507	52,742,893
LIABILITIES			
CURRENT:			
Warrants payable.....	168,543	239,443	407,986
Accrued payroll.....	148,275	14,001	162,276
Tax refunds payable.....	10,000	-	10,000
Accrued interest.....	-	43,486	43,486
Customer deposits payable.....	-	68,644	68,644
Capital lease obligations.....	30,251	-	30,251
Compensated absences.....	44,750	4,825	49,575
Capital assessment payable.....	261,109	-	261,109
Notes payable.....	-	140,000	140,000
Bonds payable.....	-	180,000	180,000
NONCURRENT:			
Capital lease obligations.....	30,252	-	30,252
Compensated absences.....	134,250	14,475	148,725
Other postemployment benefits.....	785,967	274,411	1,060,378
Capital assessment payable.....	6,703,499	-	6,703,499
Bonds payable.....	-	2,835,000	2,835,000
TOTAL LIABILITIES.....	8,316,896	3,814,285	12,131,181
NET POSITION			
Net investment in capital assets.....	16,271,661	10,157,144	26,428,805
Restricted for:			
Permanent funds:			
Expendable.....	7,850	-	7,850
Nonexpendable.....	400,321	-	400,321
Community preservation.....	3,355,418	-	3,355,418
Gifts and grants.....	64,355	-	64,355
Unrestricted.....	4,056,885	6,298,078	10,354,963
TOTAL NET POSITION..... \$	24,156,490	\$ 16,455,222	\$ 40,611,712

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,460,237	\$ 319,014	\$ 228,251	\$ -	\$ (912,972)
Public safety.....	2,227,185	136,478	37,780	-	(2,052,927)
Education.....	8,586,625	-	114,485	5,623	(8,466,517)
Public works.....	2,070,774	23,209	71,855	460,146	(1,515,564)
Community preservation.....	48,057	-	-	125,325	77,268
Human services.....	289,470	209,685	17,573	-	(62,212)
Culture and recreation.....	531,721	-	214,632	-	(317,089)
Claims and judgments.....	100,000	-	-	-	(100,000)
Total Governmental Activities.....	15,314,069	688,386	684,576	591,094	(13,350,013)
<i>Business-Type Activities:</i>					
Water.....	560,590	772,370	-	-	211,780
Sewer.....	514,647	380,420	-	-	(134,227)
Electric Light.....	4,398,258	4,856,009	-	-	457,751
Total Business-Type Activities.....	5,473,495	6,008,799	-	-	535,304
Total Primary Government.....	\$ 20,787,564	\$ 6,697,185	\$ 684,576	\$ 591,094	\$ (12,814,709)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (13,350,013)	\$ 535,304	\$ (12,814,709)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	11,788,518	-	11,788,518
Motor vehicle excise taxes.....	907,320	-	907,320
Community preservation tax.....	302,491	-	302,491
Penalties and interest on taxes.....	83,110	-	83,110
Payments in lieu of taxes.....	40,102	-	40,102
Grants and contributions not restricted to specific programs.....	840,210	-	840,210
Unrestricted investment income.....	24,101	130,992	155,093
<i>Transfers, net</i>	35,000	(35,000)	-
Total general revenues and transfers.....	<u>14,020,852</u>	<u>95,992</u>	<u>14,116,844</u>
Change in net position.....	670,839	631,296	1,302,135
<i>Net Position:</i>			
Beginning of year.....	<u>23,485,651</u>	<u>15,823,926</u>	<u>39,309,577</u>
End of year.....	\$ <u><u>24,156,490</u></u>	\$ <u><u>16,455,222</u></u>	\$ <u><u>40,611,712</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 2,076,985	\$ 3,171,484	\$ 2,791,912	\$ 8,040,381
Investments.....	11,304	-	-	11,304
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	492,565	8,371	-	500,936
Tax liens.....	22,367	-	-	22,367
Motor vehicle excise taxes.....	74,975	-	-	74,975
Intergovernmental.....	-	175,898	292,285	468,183
Tax foreclosures.....	58,468	-	-	58,468
TOTAL ASSETS.....	\$ 2,736,664	\$ 3,355,753	\$ 3,084,197	\$ 9,176,614
LIABILITIES				
Warrants payable.....	\$ 112,436	\$ 335	\$ 55,772	\$ 168,543
Accrued payroll.....	126,654	-	21,621	148,275
Tax refunds payable.....	10,000	-	-	10,000
TOTAL LIABILITIES.....	249,090	335	77,393	326,818
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	590,175	192,869	229,957	1,013,001
FUND BALANCES				
Nonspendable.....	-	-	400,321	400,321
Restricted.....	-	3,162,549	2,376,526	5,539,075
Assigned.....	271,984	-	-	271,984
Unassigned.....	1,625,415	-	-	1,625,415
TOTAL FUND BALANCES.....	1,897,399	3,162,549	2,776,847	7,836,795
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 2,736,664	\$ 3,355,753	\$ 3,084,197	\$ 9,176,614

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....		\$ 7,836,795
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		23,296,772
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,013,001
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Capital lease obligations.....	(60,503)	
Capital assessment payable.....	(6,964,608)	
Compensated absences.....	(179,000)	
Other postemployment benefits.....	<u>(785,967)</u>	
Net effect of reporting long-term liabilities.....		<u>(7,990,078)</u>
Net position of governmental activities.....		<u>\$ 24,156,490</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Community Preservation	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 11,747,974	\$ -	\$ -	\$ -	\$ 11,747,974
Motor vehicle excise taxes.....	892,266	-	-	-	892,266
Penalties and interest on taxes.....	83,110	-	-	-	83,110
Payments in lieu of taxes.....	40,102	-	-	-	40,102
Intergovernmental.....	954,695	236,003	5,623	309,437	1,505,758
Departmental and other.....	416,269	-	-	274,977	691,246
Community preservation.....	-	242,386	-	-	242,386
Contributions.....	-	-	-	487,983	487,983
Investment income.....	10,297	13,804	-	-	24,101
TOTAL REVENUES.....	14,144,713	492,193	5,623	1,072,397	15,714,926
EXPENDITURES:					
Current:					
General government.....	802,286	-	-	469,170	1,271,456
Public safety.....	1,537,955	-	-	43,074	1,581,029
Education.....	8,550,824	-	-	-	8,550,824
Public works.....	1,239,949	-	-	343,657	1,583,606
Community development.....	-	48,057	-	-	48,057
Human services.....	213,580	-	-	18,001	231,581
Culture and recreation.....	214,884	-	-	207,696	422,580
Pension benefits.....	468,716	-	-	-	468,716
Property and liability insurance.....	92,952	-	-	-	92,952
Employee benefits.....	333,815	-	-	-	333,815
Claims and judgments.....	700,000	-	-	-	700,000
State and county charges.....	139,641	-	-	-	139,641
Capital outlay.....	-	-	1,011,448	-	1,011,448
TOTAL EXPENDITURES.....	14,294,602	48,057	1,011,448	1,081,598	16,435,705
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(149,889)	444,136	(1,005,825)	(9,201)	(720,779)
OTHER FINANCING SOURCES (USES):					
Capital assessment financing.....	-	-	1,005,825	-	1,005,825
Transfers in.....	60,689	-	-	-	60,689
Transfers out.....	-	-	-	(25,689)	(25,689)
TOTAL OTHER FINANCING SOURCES (USES).....	60,689	-	1,005,825	(25,689)	1,040,825
NET CHANGE IN FUND BALANCES.....	(89,200)	444,136	-	(34,890)	320,046
FUND BALANCES AT BEGINNING OF YEAR.....	1,986,599	2,718,413	-	2,811,737	7,516,749
FUND BALANCES AT END OF YEAR.....	\$ 1,897,399	\$ 3,162,549	\$ -	\$ 2,776,847	\$ 7,836,795

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**

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....	\$	320,046
<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.....	1,212,652	
Depreciation expense.....	<u>(773,466)</u>	
Net effect of reporting capital assets.....		439,186
<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 unavailable revenue.....</p>		
		234,982
<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 position. 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.....	(1,005,825)	
Capital assessment payments.....	<u>255,530</u>	
Net effect of reporting long-term debt.....		(750,295)
<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.....	100	
Net change in other postemployment benefits.....	(203,431)	
Net change in capital lease obligation.....	30,251	
Net change in claims and judgments.....	<u>600,000</u>	
Net effect of recording long-term liabilities.....		<u>426,920</u>
Change in net position of governmental activities.....	\$	<u><u>670,839</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2013	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 183,518	\$ 371,308	\$ 1,103,277	\$ 1,658,103
Restricted cash and cash equivalents.....	-	-	68,644	68,644
Investments.....	-	-	3,037,870	3,037,870
Receivables, net of allowance for uncollectibles:				
User fees.....	385,324	269,782	598,942	1,254,048
Special assessments.....	-	21,043	-	21,043
Intergovernmental.....	-	-	51	51
Inventory.....	-	-	11,561	11,561
Prepaid expenses.....	-	-	728,167	728,167
Total current assets.....	568,842	662,133	5,548,512	6,779,487
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	219,186	-	219,186
Capital assets:				
Nondepreciable.....	3,072,683	782,907	5,791	3,861,381
Depreciable.....	2,659,264	2,086,695	4,663,494	9,409,453
Total noncurrent assets.....	5,731,947	3,088,788	4,669,285	13,490,020
TOTAL ASSETS.....	\$ 6,300,789	\$ 3,750,921	\$ 10,217,797	\$ 20,269,507
LIABILITIES				
CURRENT:				
Warrants payable.....	\$ 5,935	\$ 34,360	\$ 199,148	\$ 239,443
Accrued payroll.....	9,902	4,099	-	14,001
Accrued interest.....	27,179	16,307	-	43,486
Customer deposits payable.....	-	-	68,644	68,644
Compensated absences.....	4,100	725	-	4,825
Notes payable.....	-	140,000	-	140,000
Bonds payable.....	115,000	65,000	-	180,000
Total current liabilities.....	162,116	260,491	267,792	690,399
NONCURRENT:				
Compensated absences.....	12,300	2,175	-	14,475
Other postemployment benefits.....	50,900	50,900	172,611	274,411
Bonds payable.....	2,015,000	820,000	-	2,835,000
Total noncurrent liabilities.....	2,078,200	873,075	172,611	3,123,886
TOTAL LIABILITIES.....	2,240,316	1,133,566	440,403	3,814,285
NET POSITION				
Net investment in capital assets.....	3,601,947	2,181,550	4,669,285	10,452,782
Unrestricted.....	458,526	435,805	5,108,109	6,002,440
TOTAL NET POSITION.....	\$ 4,060,473	\$ 2,617,355	\$ 9,777,394	\$ 16,455,222

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2013	Total
OPERATING REVENUES:				
Charges for services	\$ 772,370	\$ 380,420	\$ 4,741,732	\$ 5,894,522
Other fees.....	-	-	114,277	114,277
TOTAL OPERATING REVENUES	772,370	380,420	4,856,009	6,008,799
OPERATING EXPENSES:				
Cost of services and administration	377,034	376,752	970,689	1,724,475
Purchased power and production.....	-	-	3,190,999	3,190,999
Depreciation.....	123,065	108,147	236,570	467,782
TOTAL OPERATING EXPENSES	500,099	484,899	4,398,258	5,383,256
OPERATING INCOME (LOSS).....	272,271	(104,479)	457,751	625,543
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	-	130,992	130,992
Interest expense.....	(60,491)	(29,748)	-	(90,239)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(60,491)	(29,748)	130,992	40,753
INCOME (LOSS) BEFORE TRANSFERS.....	211,780	(134,227)	588,743	666,296
TRANSFERS:				
Transfers out.....	-	-	(35,000)	(35,000)
CHANGE IN NET POSITION.....	211,780	(134,227)	553,743	631,296
NET POSITION AT BEGINNING OF YEAR.....	3,848,693	2,751,582	9,223,651	15,823,926
NET POSITION AT END OF YEAR.....	\$ 4,060,473	\$ 2,617,355	\$ 9,777,394	\$ 16,455,222

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2013	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 679,811	\$ 481,383	\$ 4,973,881	\$ 6,135,075
Payments to vendors.....	(172,613)	(271,340)	(3,809,578)	(4,253,531)
Payments to employees.....	(243,998)	(83,333)	(643,653)	(970,984)
NET CASH FROM OPERATING ACTIVITIES.....	263,200	126,710	520,650	910,560
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	-	-	(35,000)	(35,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition and construction of capital assets.....	(73,962)	(288,008)	(417,945)	(779,915)
Principal payments on bonds and notes.....	(110,000)	75,000	-	(35,000)
Interest expense.....	(61,500)	(31,600)	-	(93,100)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(245,462)	(244,608)	(417,945)	(908,015)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	-	(44,305)	(44,305)
Investment income.....	-	-	130,992	130,992
NET CASH FROM INVESTING ACTIVITIES.....	-	-	86,687	86,687
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	17,738	(117,898)	154,392	54,232
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	165,780	489,206	1,017,529	1,672,515
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 183,518	\$ 371,308	\$ 1,171,921	\$ 1,726,747
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 272,271	\$ (104,479)	\$ 457,751	\$ 625,543
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	123,065	108,147	236,570	467,782
Changes in assets and liabilities:				
User fees.....	(92,559)	58,514	(59,255)	(93,300)
Special assessments.....	-	42,449	-	42,449
Intergovernmental.....	-	-	171,503	171,503
Prepaid expenses.....	-	-	(107,784)	(107,784)
Warrants payable.....	(73,793)	(9,083)	(155,790)	(238,666)
Accrued payroll.....	735	281	-	1,016
Customer deposits.....	-	-	5,624	5,624
Accrued compensated absences.....	3,100	500	-	3,600
Other postemployment benefits.....	30,381	30,381	(27,969)	32,793
Total adjustments.....	(9,071)	231,189	62,899	285,017
NET CASH FROM OPERATING ACTIVITIES.....	\$ 263,200	\$ 126,710	\$ 520,650	\$ 910,560

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 317,876	\$ 104,393
LIABILITIES		
Liabilities due depositors.....	-	104,393
NET POSITION		
Held in trust for private and other purposes.....	\$ 317,873	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income:	
Interest.....	\$ <u>11,743</u>
<u>DEDUCTIONS:</u>	
Administration.....	<u>12,896</u>
CHANGE IN NET POSITION.....	(1,153)
NET POSITION AT BEGINNING OF YEAR.....	<u>319,026</u>
NET POSITION AT END OF YEAR.....	\$ <u><u>317,873</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Groveland, Massachusetts (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 position and the statement of changes in net position) 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 total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 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 Assessors 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 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 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 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 quarterly 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 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 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 and building improvements, machinery and equipment, vehicles, 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 year of the purchase.

I. Unavailable Revenue

Unavailable 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, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

K. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position 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.

L. 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 position. 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.

M. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position reported as "net investment in capital assets" 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 position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has 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.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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.

N. 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 position. 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.

O. 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.

P. 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.

Q. 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 year. Actual results could vary from estimates that were used.

R. 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 (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 year-end, the carrying amount of deposits totaled \$9,469,049 and the bank balance totaled \$10,043,834. Of the bank balance, \$5,880,703 was covered by Federal Depository Insurance, \$3,485,879 was covered by the Depositors Insurance Fund, and \$677,252 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, 2014 as compared with the December 31, 2013 amounts presented above.

Investments

As of June 30, 2014, the Town of Groveland had the following investments:

Investment Type	Fair Value	Maturity 1-5 Years	Maturity 6-10 Years	Rating
<u>Debt Securities:</u>				
Municipal Bonds and Government Securities.....	\$ 2,118,297	\$ 180,596	\$ 1,937,701	AAA-A
<u>Other Investments:</u>				
Equities Securities.....	919,573			N/A
MMDT.....	720,348			Not Rated
Equity Mutual Funds.....	11,304			N/A
Total Investments.....	<u>\$ 3,769,522</u>			

The municipal bonds, government securities and the equity securities are investments of the Municipal Light Department (MLD). Further disclosures of the debt securities were not available from the MLD.

The Town participates in the MMDT Cash Portfolio. MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. The Town's investment in MMDT is unrated.

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 \$2,118,297 of municipal bonds and government securities and \$919,573 of equities securities 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, 2014, receivables for the individual major, non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 500,936	\$ -	\$ 500,936
Tax liens.....	22,367	-	22,367
Motor vehicle excise taxes.....	88,993	(14,018)	74,975
Intergovernmental.....	468,183	-	468,183
Total.....	<u>\$ 1,080,479</u>	<u>\$ (14,018)</u>	<u>\$ 1,066,461</u>

At June 30, 2014 (December 31, 2013 for the Electric Light fees), receivables for the water, sewer, and electric plant enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water fees.....	\$ 385,324	\$ -	\$ 385,324
Sewer fees.....	269,782	-	269,782
Sewer special assessments.....	240,229	-	240,229
Electric light fees.....	598,942	-	598,942
Electric light intergovernmental.....	51	-	51
Total.....	<u>\$ 1,494,328</u>	<u>\$ -</u>	<u>\$ 1,494,328</u>

Governmental funds report *unavailable 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 year, the various components of *unavailable 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.....	\$ 448,929	\$ 8,371	\$ -	\$ 457,300
Tax liens.....	22,367	-	-	22,367
Motor vehicle excise taxes.....	60,411	-	-	60,411
Intergovernmental.....	-	184,498	229,957	414,455
Tax foreclosures.....	58,468	-	-	58,468
Total.....	\$ 590,175	\$ 192,869	\$ 229,957	\$ 1,013,001

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, 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.....	7,477,294	1,011,448	-	8,488,742
Total capital assets not being depreciated.....	12,393,938	1,011,448	-	13,405,386
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,185,780	-	-	1,185,780
Buildings and building improvements.....	8,301,534	-	-	8,301,534
Machinery and equipment.....	1,535,434	133,238	-	1,668,672
Vehicles.....	2,211,913	9,700	(105,398)	2,116,215
Infrastructure.....	13,501,130	58,266	-	13,559,396
Total capital assets being depreciated.....	26,735,791	201,204	(105,398)	26,831,597
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(350,924)	(32,052)	-	(382,976)
Buildings and building improvements.....	(5,361,026)	(195,782)	-	(5,556,808)
Machinery and equipment.....	(1,137,940)	(96,008)	-	(1,233,948)
Vehicles.....	(1,450,467)	(122,054)	105,398	(1,467,123)
Infrastructure.....	(7,971,786)	(327,570)	-	(8,299,356)
Total accumulated depreciation.....	(16,272,143)	(773,466)	105,398	(16,940,211)
Total capital assets being depreciated, net.....	10,463,648	(572,262)	-	9,891,386
Total governmental activities capital assets, net.....	\$ 22,857,586	\$ 439,186	\$ -	\$ 23,296,772

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.....	2,593,930	-	-	2,593,930
Total capital assets not being depreciated.....	<u>3,072,683</u>	<u>-</u>	<u>-</u>	<u>3,072,683</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	48,542	7,839	-	56,381
Machinery and equipment.....	302,755	8,005	-	310,760
Vehicles.....	24,307	-	-	24,307
Infrastructure.....	4,431,233	58,118	-	4,489,351
Total capital assets being depreciated.....	<u>4,806,837</u>	<u>73,962</u>	<u>-</u>	<u>4,880,799</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(28,914)	(392)	-	(29,306)
Machinery and equipment.....	(150,420)	(25,976)	-	(176,396)
Vehicles.....	(24,307)	-	-	(24,307)
Infrastructure.....	(1,894,829)	(96,697)	-	(1,991,526)
Total accumulated depreciation.....	<u>(2,098,470)</u>	<u>(123,065)</u>	<u>-</u>	<u>(2,221,535)</u>
Total capital assets being depreciated, net.....	<u>2,708,367</u>	<u>(49,103)</u>	<u>-</u>	<u>2,659,264</u>
Total business-type activities capital assets, net.....	<u>\$ 5,781,050</u>	<u>\$ (49,103)</u>	<u>\$ -</u>	<u>\$ 5,731,947</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 255,004	\$ -	\$ -	\$ 255,004
Construction in progress.....	527,903	-	-	527,903
Total capital assets not being depreciated.....	<u>782,907</u>	<u>-</u>	<u>-</u>	<u>782,907</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	-	223,118	-	223,118
Vehicles.....	19,450	-	-	19,450
Infrastructure.....	4,590,076	64,890	-	4,654,966
Total capital assets being depreciated.....	<u>4,609,526</u>	<u>288,008</u>	<u>-</u>	<u>4,897,534</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	-	(11,156)	-	(11,156)
Vehicles.....	(6,808)	(1,945)	-	(8,753)
Infrastructure.....	(2,695,884)	(95,046)	-	(2,790,930)
Total accumulated depreciation.....	<u>(2,702,692)</u>	<u>(108,147)</u>	<u>-</u>	<u>(2,810,839)</u>
Total capital assets being depreciated, net.....	<u>1,906,834</u>	<u>179,861</u>	<u>-</u>	<u>2,086,695</u>
Total business-type activities capital assets, net.....	<u>\$ 2,689,741</u>	<u>\$ 179,861</u>	<u>\$ -</u>	<u>\$ 2,869,602</u>

	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.....	222,204	-	-	222,204
Equipment.....	1,012,508	221,686	(122,323)	1,111,871
Infrastructure.....	6,494,547	196,259	(10,500)	6,680,306
Total capital assets being depreciated.....	<u>7,729,259</u>	<u>417,945</u>	<u>(132,823)</u>	<u>8,014,381</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(98,404)	(4,426)	-	(102,830)
Equipment.....	(687,772)	(57,460)	122,323	(622,909)
Infrastructure.....	(2,460,964)	(174,684)	10,500	(2,625,148)
Total accumulated depreciation.....	<u>(3,247,140)</u>	<u>(236,570)</u>	<u>132,823</u>	<u>(3,350,887)</u>
Total Electric Light capital assets, net.....	<u>4,482,119</u>	<u>181,375</u>	<u>-</u>	<u>4,663,494</u>
Total capital assets being depreciated, net.....	<u>\$ 4,487,910</u>	<u>\$ 181,375</u>	<u>\$ -</u>	<u>\$ 4,669,285</u>

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

Governmental Activities:	
General government.....	\$ 79,075
Public safety.....	142,179
Education.....	119,133
Public works.....	372,935
Human services.....	781
Culture and recreation.....	<u>59,363</u>
Total depreciation expense - governmental activities.....	<u>\$ 773,466</u>
Business-Type Activities:	
Water.....	\$ 123,065
Sewer.....	108,147
Electric light.....	<u>236,570</u>
Total depreciation expense - business-type activities.....	<u>\$ 467,782</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year end June 30, 2014 are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
	General Fund
Nonmajor Governmental Funds....	\$ 25,689 (1)
Electric Light Enterprise Fund.....	<u>35,000 (2)</u>
Total.....	<u>\$ 60,689</u>

- (1) Budgeted appropriation from the Community Preservation fund to the General fund related to the Conservation Commission.
- (2) Represents a Payment in Lieu of Tax to the General fund from the Electric Light Department 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.

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 151,256
Less: accumulated depreciation.....	<u>(75,628)</u>
Total.....	<u>\$ 75,628</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

<u>Years</u> <u>Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2015.....	\$ 32,922
2016.....	<u>32,922</u>
Total minimum lease payments.....	65,843
Less: amounts representing interest.....	<u>(5,341)</u>
Present value of minimum lease payments.....	<u>\$ 60,503</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.

The Town had the following short-term debt outstanding as of June 30, 2014:

<u>Type</u>	<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Due Date</u>	<u>Balance at</u> <u>June 30,</u> <u>2013</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance at</u> <u>June 30,</u> <u>2014</u>
Enterprise Funds							
BAN	Sewer.....	0.60%	6/19/15	\$ <u>-</u>	\$ <u>140,000</u>	\$ <u>-</u>	\$ <u>140,000</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, 2014, 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, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Water well.....	2032	120,000	2-3%	\$ 115,000	\$ -	\$ 5,000	\$ 110,000
Water storage tank & mains.....	2032	925,000	2-3%	890,000	-	35,000	855,000
Water storage tank & mains II.....	2032	700,000	2-3%	675,000	-	30,000	645,000
Water 1.....	2032	262,000	2-3%	235,000	-	25,000	210,000
Water 2.....	2032	338,000	2-3%	325,000	-	15,000	310,000
Total Water enterprise debt.....				\$ 2,240,000	\$ -	\$ 110,000	\$ 2,130,000

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

Year	Principal	Interest	Total
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	\$ 2,130,000	\$ 607,400	\$ 2,737,400

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Sewer.....	2019	\$ 357,000	4.70%	\$ 210,000	\$ -	\$ 35,000	\$ 175,000
Sewer.....	2032	146,000	2-3%	140,000	-	5,000	135,000
Sewer pump station repairs.....	2032	625,000	2-3%	600,000	-	25,000	575,000
Total Sewer enterprise debt.....				\$ 950,000	\$ -	\$ 65,000	\$ 885,000

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

Year	Principal	Interest	Total
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.....	\$ 885,000	\$ 239,562	\$ 1,124,562

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, 2014, the Town had no authorized and unissued debt outstanding.

Changes in Long-term Liabilities

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

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Governmental Activities:					
Capital lease obligations.....	\$ 90,754	\$ -	\$ (30,251)	\$ 60,503	\$ 30,251
Compensated absences.....	179,100	44,675	(44,775)	179,000	44,750
Other postemployment benefits.....	582,536	292,640	(89,209)	785,967	-
Court judgments.....	600,000	-	(600,000)	-	-
Capital assessment payable.....	<u>6,214,313</u>	<u>1,005,825</u>	<u>(255,530)</u>	<u>6,964,608</u>	<u>261,109</u>
Total governmental activity long-term liabilities.....	<u>\$ 7,666,703</u>	<u>\$ 1,343,140</u>	<u>\$ (1,019,765)</u>	<u>\$ 7,990,078</u>	<u>\$ 336,110</u>
Business-Type Activities:					
Long-term bonds.....	\$ 3,190,000	\$ -	\$ (175,000)	\$ 3,015,000	\$ 180,000
Compensated absences.....	15,700	7,525	(3,925)	19,300	4,825
Other postemployment benefits.....	<u>241,618</u>	<u>33,713</u>	<u>(920)</u>	<u>274,411</u>	<u>-</u>
Total business-type activity long-term liabilities.....	<u>\$ 3,447,318</u>	<u>\$ 41,238</u>	<u>\$ (179,845)</u>	<u>\$ 3,308,711</u>	<u>\$ 184,825</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 2014 approximately \$5 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, 2014, based on expenditures incurred to date is approximately \$7.0 million. The final repayment schedule has not yet been determined.

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to constraints imposed on the use of those resources.

There are 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 the 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 and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year-end, the balance of the Town’s stabilization fund was \$1.2 million and was reported as unassigned fund balance within the general fund.

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

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances				
Nonspendable:				
Permanent fund principal..... \$	-	-	400,321	400,321
Restricted for:				
Town grant funds.....	-	-	213,455	213,455
Community preservation fund.....	-	3,162,549	-	3,162,549
Receipts reserved for appropriations.....	-	-	92,654	92,654
Special revenue trust funds.....	-	-	91,287	91,287
Town revolving funds.....	-	-	221,941	221,941
Town donation fund.....	-	-	174,468	174,468
Other special revenue funds.....	-	-	1,574,871	1,574,871
Permanent fund spendable.....	-	-	7,850	7,850
Assigned for carryover encumbrances to:				
General government.....	104,520	-	-	104,520
Public works.....	167,464	-	-	167,464
Unassigned.....	<u>1,625,415</u>	<u>-</u>	<u>-</u>	<u>1,625,415</u>
Total Fund Balances..... \$	<u>\$ 1,897,399</u>	<u>\$ 3,162,549</u>	<u>\$ 2,776,847</u>	<u>\$ 7,836,795</u>

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. (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 \$114,000 for the year ended June 30, 2014, 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 years ended June 30, 2014, 2013, and 2012 were approximately \$429,000, \$394,000, and \$355,000 respectively, which equaled its required contribution for each year.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Groveland administers a single-employer defined benefit healthcare plan (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 Plan does not issue a publicly available financial report.

As of July 1, 2013, the most recent actuarial valuation, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents...	24
Current active members.....	<u>42</u>
Total.....	<u><u>66</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. During 2014, the Town contributed approximately \$86,000 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.....	\$ 411,645
Interest on net OPEB obligation.....	32,966
Adjustments to annual required contribution.....	<u>(121,939)</u>
Annual OPEB cost/expense.....	322,672
Contributions made.....	<u>(86,448)</u>
Increase in net OPEB obligation.....	236,224
Net OPEB obligation - beginning of year.....	<u>824,154</u>
Net OPEB obligation - end of year.....	<u><u>\$ 1,060,378</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the previous two years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 322,672	26.8%	\$ 1,060,378
6/30/2013	313,946	64.6%	824,154
6/30/2012	308,569	64.6%	822,319

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2013, is as follows:

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)
7/1/2013	\$ -	\$ 3,965,043	\$ 3,965,043	0%	\$ N/A	N/A
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, 2013, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% 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, 2014, is 24 years.

NOTE 14 – CLAIMS AND JUDGMENTS

In 2012 the Town recorded a liability in the amount of \$600,000 relating to a settlement reached with the City of Haverhill, Massachusetts and other parties for its share of the closure costs of a landfill. The settlement was ultimately increased to \$700,000, \$100,000 of which was covered by the Town's insurance carrier. The payment was made in 2014 with funds provided by the Town's Stabilization fund.

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, 2014, 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 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

YEAR ENDED JUNE 30, 2014

	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.....	\$ 11,676,322	\$ 11,676,322	\$ 11,605,690	\$ -	\$ (70,632)
Motor vehicle excise taxes.....	725,000	725,000	892,266	-	167,266
Penalties and interest on taxes.....	61,000	61,000	83,110	-	22,110
Payments in lieu of taxes.....	33,500	33,500	40,102	-	6,602
Intergovernmental.....	839,004	839,004	840,210	-	1,206
Departmental and other.....	174,000	274,000	415,592	-	141,592
Investment income.....	9,000	9,000	7,989	-	(1,011)
TOTAL REVENUES.....	13,517,826	13,617,826	13,884,959	-	267,133
EXPENDITURES:					
Current:					
General government.....	915,080	920,319	802,286	104,520	13,513
Public safety.....	1,539,866	1,555,688	1,537,955	-	17,733
Education.....	8,583,100	8,550,824	8,550,824	-	-
Public works.....	1,161,569	1,426,297	1,239,949	167,464	18,884
Human services.....	215,163	219,492	213,580	-	5,912
Culture and recreation.....	227,455	223,217	214,884	-	8,333
Pension benefits.....	354,231	354,231	354,231	-	-
Property and liability insurance.....	93,000	93,000	92,952	-	48
Employee benefits.....	391,700	351,937	333,815	-	18,122
Claims and judgments.....	-	700,000	700,000	-	-
State and county charges.....	139,641	139,641	139,641	-	-
TOTAL EXPENDITURES.....	13,620,805	14,534,646	14,180,117	271,984	82,545
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(102,979)	(916,820)	(295,158)	(271,984)	349,678
OTHER FINANCING SOURCES (USES):					
Transfers in.....	35,000	657,000	657,618	-	618
NET CHANGE IN FUND BALANCE.....	(67,979)	(259,820)	362,460	(271,984)	350,296
BUDGETARY FUND BALANCE, Beginning of year.....	761,990	761,990	761,990	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 694,011	\$ 502,170	\$ 1,124,450	\$ (271,984)	\$ 350,296

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)
01/01/14	\$ 327,727,973	\$ 676,474,202	\$ 348,746,229	48.4%	\$ 119,733,698	291.3%
01/01/13	314,565,925	619,339,080	304,773,155	50.8%	119,292,287	255.5%
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, 2013, is approximately 1.73%.

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
2014	\$ 24,592,599	\$ 24,592,599	100%	\$ 429,000	1.74%
2013	22,770,925	22,770,925	100%	394,000	1.73%
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, 2014

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)
7/1/2013	\$ -	\$ 3,965,043	\$ 3,965,043	0%	\$ N/A	N/A
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

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2014	\$ 411,645	\$ 86,448	21.0%
2013	450,048	202,796	45.1%
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

YEAR ENDED JUNE 30, 2014

Actuarial Methods:

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Amortization as level dollar amount over 30 years
Remaining amortization period	24 years as of July 1, 2013
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...	24
Current active members.....	<u>42</u>
Total.....	<u><u>66</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITYA. 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 year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current 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 2014 approved budget authorized \$13.6 million in appropriations and other amounts to be raised, which includes approximately \$144,000 in amounts carried over from previous years. During 2014, Town meeting also approved \$700,000 for the Haverhill landfill settlement and other net increases, mainly DPW expenditures, totaling \$214,000

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 year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis.....	\$	362,460
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(593,944)
<u>Basis of accounting differences:</u>		
Net change in revenues in recording 60 day receipts.....		146,884
Net change in revenues in recording tax refunds payable.....		(4,600)
Increase in revenues due to on-behalf payments.....		114,485
Increase in expenditures due to on-behalf payments.....		<u>(114,485)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(89,200)</u></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, 2014
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Approximate level percent of payroll, closed
Remaining Amortization Period.....	20 years for the fresh start base, closed
Asset Valuation Method.....	A five-year (20% per year) smoothing method that reflects differences between expected market asset return and actual market return.

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	7.5% downgraded to an ultimate rate of 3.75% over 5 years
Cost of living adjustments.....	3.00% for the first \$13,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	1,725
Terminated participants entitled to a return of their employee contributions and participants with a vested right to a deferred or immediate benefit.....	1,118
Active participants.....	<u>2,714</u>
Total.....	<u><u>5,557</u></u>

NOTE C – OTHER POST-EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Other Postemployment 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 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) is 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

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

We have audited 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements, and have issued our report thereon dated February 26, 2015. Our report includes a reference to another auditor who audited the financial statements of the Groveland Municipal Light Department as of December 31, 2013, as described in our report on the Town of Groveland, Massachusetts' financial statements. This report does not include the results of the other auditor's 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 of the financial statements, we considered the Town of Groveland, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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.

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be material weaknesses being corrected:

- 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 26, 2015