

***TOWN OF GROVELAND, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2015***

TOWN OF GROVELAND, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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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, 2015, 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, 2014, which is both a major fund and 52%, 62%, and 79%, 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, 2015 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2014), 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 March 24, 2016 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.



March 24, 2016

***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, 2015. 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 development, human services, culture and recreation, and interest. 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 Bussing land acquisition 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 and deferred inflows of resources for governmental activities by \$18.1 million and the business-type activities by \$16.4 million at the close of the most recent year. Key components of the Town's activities are presented below.

### Governmental Activities

	<u>2015</u>	<u>2014</u> <u>(As Revised)</u>
<b>Assets:</b>		
Current assets.....	\$ 8,148,100	\$ 9,176,614
Capital assets.....	28,150,770	23,296,772
<b>Total assets.....</b>	<b>36,298,870</b>	<b>32,473,386</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	644,092	371,568
Noncurrent liabilities (excluding debt).....	6,773,678	6,574,963
Current debt.....	511,570	291,360
Noncurrent debt.....	10,203,897	6,733,751
<b>Total liabilities.....</b>	<b>18,133,237</b>	<b>13,971,642</b>
<b>Deferred Inflows of resources:</b>		
Deferred inflows of resources related to pensions.....	<u>24,388</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets.....	17,435,303	16,271,661
Restricted.....	3,234,241	3,827,944
Unrestricted.....	<u>(2,528,299)</u>	<u>(1,597,861)</u>
<b>Total net position.....</b>	<b>\$ <u>18,141,245</u></b>	<b>\$ <u>18,501,744</u></b>

Governmental net position of \$17.4 million (96%) 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, \$3.2 million (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a year-end deficit balance of \$2.5 million. The primary reason for this deficit balance is the recognition of the \$986,000 OPEB liability and the \$5.7 million net pension liability.

As required by GASB Statement #68, in 2015 the Town recognized their total net pension liability of \$6.3 million along with a deferred inflow related to pension of \$27,000 on the statement of net position for the first time. Beginning of year net position has been revised as part of this implementation. Additional disclosures and schedules have been added to the notes to the basic financial statements and required supplementary information.



Governmental activities decreased the Town's net position by \$360,000 during 2015 as compared to an increase of \$671,000 in 2014. This was due to better than expected budgetary results offset by depreciation and OPEB expense. Overall, there was a slight decrease in revenue of \$253,000 (1.6%) and an increase in expenses of \$778,000 (5.1%). Expenses increased for general government, educational assessments, and for snow and ice.

	<u>2015</u>	<u>2014</u> <u>(As Revised)</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 533,774	\$ 688,386
Operating grants and contributions.....	393,392	684,576
Capital grants and contributions.....	320,644	591,094
<b>General Revenues:</b>		
Real estate and personal property taxes.....	12,329,313	11,788,518
Motor vehicle and other excise taxes.....	875,019	907,320
Nonrestricted grants.....	843,672	840,210
Unrestricted investment income.....	18,223	24,101
Other revenues.....	382,873	425,703
<b>Total revenues.....</b>	<b><u>15,696,910</u></b>	<b><u>15,949,908</u></b>
<b>Expenses:</b>		
General Government.....	1,779,891	1,560,237
Public Safety.....	2,364,639	2,227,185
Education.....	8,937,448	8,586,625
Public Works.....	2,138,784	2,070,774
Community Development.....	100,862	48,057
Human Services.....	315,469	289,470
Culture and Recreation.....	430,548	531,721
Interest.....	24,768	-
<b>Total expenses.....</b>	<b><u>16,092,409</u></b>	<b><u>15,314,069</u></b>
<b>Excess before transfers.....</b>	<b>(395,499)</b>	<b>635,839</b>
<b>Transfers.....</b>	<b><u>35,000</u></b>	<b><u>35,000</u></b>
<b>Change in net position.....</b>	<b>(360,499)</b>	<b>670,839</b>
<b>Net position - beginning (as revised).....</b>	<b><u>18,501,744</u></b>	<b><u>17,830,905</u></b>
<b>Net position - ending.....</b>	<b><u>\$ 18,141,245</u></b>	<b><u>\$ 18,501,744</u></b>

***Business-type Activities***

The Town's business-type activities exceeded liabilities and deferred inflows of resources by \$16.4 million at year end, an increase of \$580,000 over the prior year. The water, sewer, and electric light department's change in net position each amounted to \$178,000, \$(6,000), and \$409,000, respectively, during 2015.

**Water Activities**

Water business-type activities assets exceeded liabilities and deferred inflows of resources by \$3.8 million at the close of 2015. Net investment in capital assets was \$3.6 million (95%) and unrestricted net position was \$195,000 (5%). Net position increased during 2015 by \$178,000 compared to an increase of \$212,000 in the prior year.

	<u>2015</u>	<u>2014</u> <u>(As Revised)</u>
<b>Assets:</b>		
Current assets.....	\$ 788,287	\$ 568,842
Capital assets.....	<u>5,583,347</u>	<u>5,731,947</u>
<b>Total assets.....</b>	<b><u>6,371,634</u></b>	<b><u>6,300,789</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	45,422	47,116
Noncurrent liabilities (excluding debt).....	545,489	537,596
Current debt.....	115,000	115,000
Noncurrent debt.....	<u>1,900,000</u>	<u>2,015,000</u>
<b>Total liabilities.....</b>	<b><u>2,605,911</u></b>	<b><u>2,714,712</u></b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows of resources related to pensions.....	<u>2,046</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets.....	3,568,347	3,601,947
Unrestricted.....	<u>195,330</u>	<u>(15,870)</u>
<b>Total net position.....</b>	<b><u>\$ 3,763,677</u></b>	<b><u>\$ 3,586,077</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 923,835	\$ 772,370
<b>Expenses:</b>		
Water.....	<u>746,235</u>	<u>560,590</u>
<b>Change in net position.....</b>	<b>177,600</b>	<b>211,780</b>
<b>Net position - beginning (as revised).....</b>	<b><u>3,586,077</u></b>	<b><u>3,374,297</u></b>
<b>Net position - ending.....</b>	<b><u>\$ 3,763,677</u></b>	<b><u>\$ 3,586,077</u></b>

**Sewer Activities**

Sewer business-type activities assets exceeded liabilities by \$2.4 million at the close of 2015. Net investment in capital assets was \$2.2 million (89%) and unrestricted net position was \$256,000 (11%). Net position decreased during 2015 by \$6,000 compared to a decrease of \$134,000 in the prior year.

	<u>2015</u>	<u>2014</u> <u>(As Revised)</u>
<b>Assets:</b>		
Current assets.....	\$ 695,400	\$ 662,133
Noncurrent assets (excluding capital).....	218,413	219,186
Capital assets.....	<u>2,741,841</u>	<u>2,869,602</u>
<b>Total assets.....</b>	<b><u>3,655,654</u></b>	<b><u>3,750,921</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	23,056	55,491
Noncurrent liabilities (excluding debt).....	264,471	257,055
Current debt.....	75,000	205,000
Noncurrent debt.....	<u>885,000</u>	<u>820,000</u>
<b>Total liabilities.....</b>	<b><u>1,247,527</u></b>	<b><u>1,337,546</u></b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows of resources related to pensions.....	<u>880</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets.....	2,151,201	2,181,550
Unrestricted.....	<u>256,046</u>	<u>231,825</u>
<b>Total net position.....</b>	<b><u>\$ 2,407,247</u></b>	<b><u>\$ 2,413,375</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 473,081	\$ 380,420
Capital grants and contributions.....	<u>21,809</u>	<u>-</u>
<b>Total revenues.....</b>	<b><u>494,890</u></b>	<b><u>380,420</u></b>
<b>Expenses:</b>		
Sewer.....	<u>501,018</u>	<u>514,647</u>
<b>Change in net position.....</b>	<b>(6,128)</b>	<b>(134,227)</b>
<b>Net position - beginning (as revised).....</b>	<b><u>2,413,375</u></b>	<b><u>2,547,602</u></b>
<b>Net position - ending.....</b>	<b><u>\$ 2,407,247</u></b>	<b><u>\$ 2,413,375</u></b>

**Electric Activities**

Electric business-type activities assets exceeded liabilities by \$10.2 million at the close of calendar year 2014. Net investment in capital assets was \$5.8 million (57%) and unrestricted net position was \$4.4 million (43%). Net position increased during calendar year 2014 by \$409,000 compared to an increase of \$554,000 in the prior year.

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
<b>Assets:</b>		
Current assets.....	\$ 5,015,439	\$ 5,548,512
Capital assets.....	5,790,284	4,669,285
<b>Total assets.....</b>	<b><u>10,805,723</u></b>	<b><u>10,217,797</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	410,092	267,792
Noncurrent liabilities (excluding debt).....	209,285	172,611
<b>Total liabilities.....</b>	<b><u>619,377</u></b>	<b><u>440,403</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	5,790,284	4,669,285
Unrestricted.....	4,396,062	5,108,109
<b>Total net position.....</b>	<b><u>\$ 10,186,346</u></b>	<b><u>\$ 9,777,394</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 5,112,559	\$ 4,856,009
<b>General Revenues:</b>		
Unrestricted investment income.....	209,374	130,992
<b>Total revenues.....</b>	<b><u>5,321,933</u></b>	<b><u>4,987,001</u></b>
<b>Expenses:</b>		
Electric Light.....	4,877,981	4,398,258
<b>Excess before transfers.....</b>	<b>443,952</b>	<b>588,743</b>
<b>Transfers.....</b>	<b><u>(35,000)</u></b>	<b><u>(35,000)</u></b>
<b>Change in net position.....</b>	<b>408,952</b>	<b>553,743</b>
<b>Net position - beginning.....</b>	<b><u>9,777,394</u></b>	<b><u>9,223,651</u></b>
<b>Net position - ending.....</b>	<b><u>\$ 10,186,346</u></b>	<b><u>\$ 9,777,394</u></b>

## ***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 \$6.6 million, a decrease of \$1.2 million 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 \$2 million, while total fund balance was \$2.1 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 14% of total general fund expenditures, while total fund balance represents approximately 15% 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, 2015, of \$2.2 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 decreased by \$965,000 during 2015 primarily due to the purchase of open space.

### ***Bussing Land Acquisition Major Fund***

The Bussing Land Purchase fund is used to account for financial resources to be used for the purchase of the Bussing property. The fund received \$3.7 million of long-term bond proceeds to finance the corresponding land acquisition in 2015. The fund balance was zero at June 30, 2015.

## ***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 2015 approved budget authorized \$14.1 million in appropriations and other amounts to be raised, along with \$272,000 of prior year carryforwards. During 2015, Town meeting also approved \$293,000 in supplemental appropriations

Actual revenues exceeded budgeted amounts by \$238,000 and actual expenditures (including carryovers) were less than budgeted amounts by \$196,000.

## ***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 2015 the Town expended \$5.7 million on governmental activities capital assets consisting mainly of open space land purchases, infrastructure improvements, machinery and equipment, and vehicles. The business-type activities expended approximately \$1.4 million consisting mainly of additions to the electric plant.

Outstanding long-term debt of governmental activities, as of June 30, 2015, totaled \$3.7 million. The increase over the prior year is entirely attributable to the issuance of long-term debt for the Bussing property land acquisition.

Outstanding long-term debt of the business type activities, as of June 30, 2015, totaled \$3 million, of which \$960,000 relates to sewer projects and \$2 million related to water projects. The increase of \$75,000 in outstanding long-term debt over the prior year for sewer activities is the result of the issuance of \$140,000 in new long-term debt, offset by \$65,000 of principal payments. Water activities outstanding long-term debt decreased by \$115,000 over the prior year as a result of principal payments on the long-term debt outstanding.

The Town has also recorded a liability of \$6.7 million in capital assessments payable to Pentucket Regional School District 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, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents..... \$	6,785,022	\$ 1,222,664	\$ 8,007,686
Restricted cash and cash equivalents.....	-	74,109	74,109
Investments.....	322,016	2,991,877	3,313,893
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	283,612	-	283,612
Tax liens.....	112,555	-	112,555
Motor vehicle excise taxes.....	54,103	-	54,103
Water fees.....	-	482,354	482,354
Sewer fees.....	-	312,508	312,508
Electric light fees.....	-	645,627	645,627
Special assessments.....	-	10,008	10,008
Intergovernmental.....	532,324	-	532,324
Tax foreclosures.....	58,468	-	58,468
Inventory.....	-	11,561	11,561
Prepaid expenses.....	-	748,418	748,418
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	218,413	218,413
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	9,796,039	1,187,957	10,983,996
Depreciable.....	18,354,731	12,927,515	31,282,246
<b>TOTAL ASSETS.....</b>	<b>36,298,870</b>	<b>20,833,011</b>	<b>57,131,881</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	441,416	284,183	725,599
Accrued liabilities.....	-	40,437	40,437
Accrued payroll.....	155,796	14,054	169,850
Accrued interest.....	4,905	40,770	45,675
Customer deposits payable.....	-	94,251	94,251
Capital lease obligations.....	49,110	-	49,110
Compensated absences.....	41,975	4,875	46,850
Capital assessment payable.....	262,285	-	262,285
Bonds payable.....	200,175	190,000	390,175
<b>NONCURRENT:</b>			
Capital lease obligations.....	106,792	-	106,792
Compensated absences.....	125,925	14,625	140,550
Other postemployment benefits.....	986,193	325,427	1,311,620
Net pension liability.....	5,661,560	679,193	6,340,753
Capital assessment payable.....	6,465,526	-	6,465,526
Bonds payable.....	3,631,579	2,785,000	6,416,579
<b>TOTAL LIABILITIES.....</b>	<b>18,133,237</b>	<b>4,472,815</b>	<b>22,606,052</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	24,388	2,926	27,314
<b>NET POSITION</b>			
Net investment in capital assets.....	17,435,303	11,181,781	28,617,084
Restricted for:			
Permanent funds:			
Nonexpendable.....	402,918	-	402,918
Community preservation.....	2,377,960	-	2,377,960
Gifts and grants.....	453,363	-	453,363
Unrestricted.....	(2,528,299)	5,175,489	2,647,190
<b>TOTAL NET POSITION..... \$</b>	<b>18,141,245</b>	<b>\$ 16,357,270</b>	<b>\$ 34,498,515</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 1,779,891	\$ 333,957	\$ 139,070	\$ 18,017	\$ (1,288,847)
Public safety.....	2,364,639	156,808	35,595	-	(2,172,236)
Education.....	8,937,448	-	-	-	(8,937,448)
Public works.....	2,138,784	28,005	11,770	138,823	(1,960,186)
Community preservation.....	100,862	-	-	163,804	62,942
Human services.....	315,469	15,004	18,435	-	(282,030)
Culture and recreation.....	430,548	-	188,522	-	(242,026)
Interest.....	24,768	-	-	-	(24,768)
<b>Total Governmental Activities.....</b>	<b>16,092,409</b>	<b>533,774</b>	<b>393,392</b>	<b>320,644</b>	<b>(14,844,599)</b>
<i>Business-Type Activities:</i>					
Water.....	746,235	923,835	-	-	177,600
Sewer.....	501,018	473,081	-	21,809	(6,128)
Electric Light.....	4,877,981	5,112,559	-	-	234,578
<b>Total Business-Type Activities.....</b>	<b>6,125,234</b>	<b>6,509,475</b>	<b>-</b>	<b>21,809</b>	<b>406,050</b>
<b>Total Primary Government.....</b>	<b>\$ 22,217,643</b>	<b>\$ 7,043,249</b>	<b>\$ 393,392</b>	<b>\$ 342,453</b>	<b>\$ (14,438,549)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(14,844,599)</b>	\$ <b>406,050</b>	\$ <b>(14,438,549)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	12,329,313	-	12,329,313
Motor vehicle excise taxes.....	875,019	-	875,019
Community preservation tax.....	259,051	-	259,051
Penalties and interest on taxes.....	82,748	-	82,748
Payments in lieu of taxes.....	41,074	-	41,074
Grants and contributions not restricted to specific programs.....	843,672	-	843,672
Unrestricted investment income.....	18,223	209,374	227,597
<i>Transfers, net</i> .....	35,000	(35,000)	-
Total general revenues and transfers.....	<u>14,484,100</u>	<u>174,374</u>	<u>14,658,474</u>
Change in net position.....	(360,499)	580,424	219,925
<i>Net Position:</i>			
Beginning of year, as revised.....	<u>18,501,744</u>	<u>15,776,846</u>	<u>34,278,590</u>
End of year.....	<u>\$ 18,141,245</u>	<u>\$ 16,357,270</u>	<u>\$ 34,498,515</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2015

	General	Community Preservation	Bussing Land Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 2,841,905	\$ 2,197,187	\$ -	\$ 1,745,930	\$ 6,785,022
Investments.....	-	-	-	322,016	322,016
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	276,090	7,522	-	-	283,612
Tax liens.....	112,555	-	-	-	112,555
Motor vehicle excise taxes.....	54,103	-	-	-	54,103
Intergovernmental.....	-	173,251	-	359,073	532,324
Tax foreclosures.....	58,468	-	-	-	58,468
<b>TOTAL ASSETS.....</b>	<b>\$ 3,343,121</b>	<b>\$ 2,377,960</b>	<b>\$ -</b>	<b>\$ 2,427,019</b>	<b>\$ 8,148,100</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 299,880	\$ -	\$ -	\$ 141,536	\$ 441,416
Accrued payroll.....	151,316	-	-	4,480	155,796
<b>TOTAL LIABILITIES.....</b>	<b>451,196</b>	<b>-</b>	<b>-</b>	<b>146,016</b>	<b>597,212</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues.....	778,935	180,775	-	-	959,710
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	402,918	402,918
Restricted.....	-	2,197,185	-	1,878,085	4,075,270
Assigned.....	65,924	-	-	-	65,924
Unassigned.....	2,047,066	-	-	-	2,047,066
<b>TOTAL FUND BALANCES.....</b>	<b>2,112,990</b>	<b>2,197,185</b>	<b>-</b>	<b>2,281,003</b>	<b>6,591,178</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 3,343,121</b>	<b>\$ 2,377,960</b>	<b>\$ -</b>	<b>\$ 2,427,019</b>	<b>\$ 8,148,100</b>

See notes to basic financial statements.

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

JUNE 30, 2015

Total governmental fund balances.....		\$ 6,591,178
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		28,150,770
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		959,710
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		(24,388)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(4,905)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(3,831,754)	
Capital lease obligations.....	(155,902)	
Compensated absences.....	(167,900)	
Other postemployment benefits.....	(986,193)	
Net pension liability.....	(5,661,560)	
Capital assessment payable.....	(6,727,811)	
Net effect of reporting long-term liabilities.....		<u>(17,531,120)</u>
Net position of governmental activities.....		\$ <u>18,141,245</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

	General	Community Preservation	Bussing Land Acquisition	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 12,134,245	\$ -	\$ -	\$ -	\$ 12,134,245
Motor vehicle excise taxes.....	881,327	-	-	-	881,327
Penalties and interest on taxes.....	82,748	-	-	-	82,748
Payments in lieu of taxes.....	41,074	-	-	-	41,074
Intergovernmental.....	843,672	175,898	-	391,367	1,410,937
Departmental and other.....	213,461	-	-	344,030	557,491
Community preservation.....	-	259,051	-	-	259,051
Contributions.....	-	-	-	365,105	365,105
Investment income.....	11,594	6,629	-	-	18,223
<b>TOTAL REVENUES.....</b>	<b>14,208,121</b>	<b>441,578</b>	<b>-</b>	<b>1,100,502</b>	<b>15,750,201</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	860,687	-	3,675,000	608,988	5,144,675
Public safety.....	1,570,257	-	-	136,485	1,706,742
Education.....	8,966,647	-	-	10,553	8,977,200
Public works.....	1,700,435	-	-	497,239	2,197,674
Community development.....	-	1,406,942	-	-	1,406,942
Human services.....	232,845	-	-	18,029	250,874
Culture and recreation.....	192,647	-	-	141,490	334,137
Pension benefits.....	410,660	-	-	-	410,660
Property and liability insurance.....	105,787	-	-	-	105,787
Employee benefits.....	378,130	-	-	-	378,130
State and county charges.....	79,033	-	-	-	79,033
Capital outlay.....	-	-	-	24,898	24,898
Debt service:					
Interest.....	19,863	-	-	-	19,863
<b>TOTAL EXPENDITURES.....</b>	<b>14,516,991</b>	<b>1,406,942</b>	<b>3,675,000</b>	<b>1,437,682</b>	<b>21,036,615</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(308,870)</b>	<b>(965,364)</b>	<b>(3,675,000)</b>	<b>(337,180)</b>	<b>(5,286,414)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	-	3,675,000	-	3,675,000
Premium from issuance of bonds.....	156,754	-	-	-	156,754
Capital lease financing.....	149,145	-	-	-	149,145
Capital assessment financing.....	-	-	-	24,898	24,898
Transfers in.....	336,402	-	-	117,840	454,242
Transfers out.....	(117,840)	-	-	(301,402)	(419,242)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>524,461</b>	<b>-</b>	<b>3,675,000</b>	<b>(158,664)</b>	<b>4,040,797</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>215,591</b>	<b>(965,364)</b>	<b>-</b>	<b>(495,844)</b>	<b>(1,245,617)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,897,399</b>	<b>3,162,549</b>	<b>-</b>	<b>2,776,847</b>	<b>7,836,795</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,112,990</b>	<b>\$ 2,197,185</b>	<b>\$ -</b>	<b>\$ 2,281,003</b>	<b>\$ 6,591,178</b>

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, 2015

Net change in fund balances - total governmental funds.....		\$ (1,245,617)
<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.....	5,758,155	
Depreciation expense.....	<u>(904,157)</u>	
Net effect of reporting capital assets.....		4,853,998
<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>		
		(53,291)
<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.....	(24,898)	
Capital assessment payments.....	261,695	
Capital lease financing.....	(149,145)	
Proceeds from bonds and notes.....	(3,675,000)	
Premium from issuance of bonds.....	<u>(156,754)</u>	
Net effect of reporting long-term debt.....		(3,744,102)
<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 accrued interest.....	(4,905)	
Net change in capital lease obligation.....	53,746	
Net change in compensated absences accrual.....	11,100	
Net change in other postemployment benefits.....	(200,226)	
Net change in deferred outflow/(inflow) of resources.....	(24,388)	
Net change in net pension liability.....	<u>(6,814)</u>	
Net effect of recording long-term liabilities.....		<u>(171,487)</u>
Change in net position of governmental activities.....		<u>\$ (360,499)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2014	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 305,933	\$ 372,884	\$ 543,847	\$ 1,222,664
Restricted cash and cash equivalents.....	-	-	74,109	74,109
Investments.....	-	-	2,991,877	2,991,877
Receivables, net of allowance for uncollectibles:				
User fees.....	482,354	312,508	645,627	1,440,489
Special assessments.....	-	10,008	-	10,008
Inventory.....	-	-	11,561	11,561
Prepaid expenses.....	-	-	748,418	748,418
Total current assets.....	<u>788,287</u>	<u>695,400</u>	<u>5,015,439</u>	<u>6,499,126</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	218,413	-	218,413
Capital assets:				
Nondepreciable.....	478,753	255,004	454,200	1,187,957
Depreciable.....	<u>5,104,594</u>	<u>2,486,837</u>	<u>5,336,084</u>	<u>12,927,515</u>
Total noncurrent assets.....	<u>5,583,347</u>	<u>2,960,254</u>	<u>5,790,284</u>	<u>14,333,885</u>
<b>TOTAL ASSETS.....</b>	<u>\$ 6,371,634</u>	<u>\$ 3,655,654</u>	<u>\$ 10,805,723</u>	<u>\$ 20,833,011</u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	\$ 5,255	\$ 3,524	\$ 275,404	\$ 284,183
Accrued liabilities.....	-	-	40,437	40,437
Accrued payroll.....	9,892	4,162	-	14,054
Accrued interest.....	26,125	14,645	-	40,770
Customer deposits payable.....	-	-	94,251	94,251
Compensated absences.....	4,150	725	-	4,875
Bonds payable.....	<u>115,000</u>	<u>75,000</u>	<u>-</u>	<u>190,000</u>
Total current liabilities.....	<u>160,422</u>	<u>98,056</u>	<u>410,092</u>	<u>668,570</u>
<b>NONCURRENT:</b>				
Compensated absences.....	12,450	2,175	-	14,625
Other postemployment benefits.....	58,071	58,071	209,285	325,427
Net pension liability.....	474,968	204,225	-	679,193
Bonds payable.....	<u>1,900,000</u>	<u>885,000</u>	<u>-</u>	<u>2,785,000</u>
Total noncurrent liabilities.....	<u>2,445,489</u>	<u>1,149,471</u>	<u>209,285</u>	<u>3,804,245</u>
<b>TOTAL LIABILITIES.....</b>	<u>2,605,911</u>	<u>1,247,527</u>	<u>619,377</u>	<u>4,472,815</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions.....	<u>2,046</u>	<u>880</u>	<u>-</u>	<u>2,926</u>
<b>NET POSITION</b>				
Net investment in capital assets.....	3,568,347	2,151,201	5,790,284	11,509,832
Unrestricted.....	<u>195,330</u>	<u>256,046</u>	<u>4,396,062</u>	<u>4,847,438</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ 3,763,677</u>	<u>\$ 2,407,247</u>	<u>\$ 10,186,346</u>	<u>\$ 16,357,270</u>

See notes to basic financial statements.



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

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2014	Total
<b>OPERATING REVENUES:</b>				
Charges for services .....	\$ 923,835	\$ 473,081	\$ 5,074,195	\$ 6,471,111
Other fees.....	-	-	38,364	38,364
<b>TOTAL OPERATING REVENUES .....</b>	<b>923,835</b>	<b>473,081</b>	<b>5,112,559</b>	<b>6,509,475</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration .....	537,914	344,892	1,101,419	1,984,225
Purchased power and production.....	-	-	3,492,180	3,492,180
Depreciation.....	148,600	127,761	284,382	560,743
<b>TOTAL OPERATING EXPENSES .....</b>	<b>686,514</b>	<b>472,653</b>	<b>4,877,981</b>	<b>6,037,148</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>237,321</b>	<b>428</b>	<b>234,578</b>	<b>472,327</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	-	-	209,374	209,374
Interest expense.....	(59,721)	(28,365)	-	(88,086)
Capital grants.....	-	21,809	-	21,809
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(59,721)</b>	<b>(6,556)</b>	<b>209,374</b>	<b>143,097</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>177,600</b>	<b>(6,128)</b>	<b>443,952</b>	<b>615,424</b>
<b>TRANSFERS:</b>				
Transfers out.....	-	-	(35,000)	(35,000)
<b>CHANGE IN NET POSITION.....</b>	<b>177,600</b>	<b>(6,128)</b>	<b>408,952</b>	<b>580,424</b>
<b>NET POSITION AT BEGINNING OF YEAR, as revised.....</b>	<b>3,586,077</b>	<b>2,413,375</b>	<b>9,777,394</b>	<b>15,776,846</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 3,763,677</b>	<b>\$ 2,407,247</b>	<b>\$ 10,186,346</b>	<b>\$ 16,357,270</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2014	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 826,805	\$ 442,163	\$ 5,091,532	\$ 6,360,500
Payments to vendors.....	(232,367)	(240,570)	(3,849,971)	(4,322,908)
Payments to employees.....	(296,248)	(126,799)	(610,512)	(1,033,559)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>298,190</b>	<b>74,794</b>	<b>631,049</b>	<b>1,004,033</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers out.....	-	-	(35,000)	(35,000)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Capital grants.....	-	21,809	-	21,809
Acquisition and construction of capital assets.....	-	-	(1,405,381)	(1,405,381)
Principal payments on bonds and notes.....	(115,000)	(65,000)	-	(180,000)
Interest expense.....	(60,775)	(30,027)	-	(90,802)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(175,775)</b>	<b>(73,218)</b>	<b>(1,405,381)</b>	<b>(1,654,374)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Purchase of investments.....	-	-	45,993	45,993
Investment income.....	-	-	209,374	209,374
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>255,367</b>	<b>255,367</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>122,415</b>	<b>1,576</b>	<b>(553,965)</b>	<b>(429,974)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>183,518</b>	<b>371,308</b>	<b>1,171,921</b>	<b>1,726,747</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 305,933</b>	<b>\$ 372,884</b>	<b>\$ 617,956</b>	<b>\$ 1,296,773</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ 237,321	\$ 428	\$ 234,578	\$ 472,327
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	148,600	127,761	284,382	560,743
Deferred (outflows)/inflows related to pensions.....	2,046	880	-	2,926
Changes in assets and liabilities:				
User fees.....	(97,030)	(42,726)	(46,685)	(186,441)
Special assessments.....	-	11,808	-	11,808
Intergovernmental.....	-	-	51	51
Prepaid expenses.....	-	-	(20,251)	(20,251)
Warrants payable.....	(680)	(30,836)	76,256	44,740
Accrued liabilities.....	-	-	40,437	40,437
Accrued payroll.....	(10)	63	-	53
Customer deposits.....	-	-	25,607	25,607
Compensated absences.....	200	-	-	200
Other postemployment benefits.....	7,171	7,171	36,674	51,016
Net pension liability.....	572	245	-	817
Total adjustments.....	60,869	74,366	396,471	531,706
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 298,190</b>	<b>\$ 74,794</b>	<b>\$ 631,049</b>	<b>\$ 1,004,033</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 317,645	\$ 153,684
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	153,684
<b>NET POSITION</b>		
Held in trust for private and other purposes.....	\$ 317,645	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income:	
Interest.....	\$ 12,610
<u>DEDUCTIONS:</u>	
Administration.....	12,797
Educational scholarships.....	41
TOTAL DEDUCTIONS.....	12,838
CHANGE IN NET POSITION.....	(228)
NET POSITION AT BEGINNING OF YEAR.....	317,873
NET POSITION AT END OF YEAR.....	\$ 317,645

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.

***Joint Ventures***

The Town is a member of the Pentucket Regional School District that provides for the education of all levels of schools for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2015 assessment was \$7,939,191.

The Town is a member of the Whittier Regional Technical High School that serves the members' students seeking an education in academic and technical studies. The members share in the operations of the Whittier Regional Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Whittier Regional Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Whittier Regional Technical High School and the 2015 assessment was \$907,771.

**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 *Bussing land acquisition fund* is a capital project fund used to account for the purchase and corresponding financing of the bussing land acquisition.

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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 elements 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 reported deferred inflows of resources related to pensions in this category.

#### *Governmental Fund Financial Statements*

Unavailable revenue at the governmental fund financial statement level represents outstanding receivables that do not meet the available criterion for revenue recognition in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenues are reported as deferred inflows of resources. Unavailable revenues are recognized as revenue during the conversion of the government-wide (full accrual) financial statements.

#### 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. Pensions

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

### N. 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 - 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.

#### O. 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.

#### P. 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.

#### Q. 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.

## R. 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.

## S. 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 \$7,213,379 and the bank balance totaled \$7,250,719. Of the bank balance, \$2,936,176 was covered by Federal Depository Insurance, \$3,316,083 was covered by the Depositors Insurance Fund, and \$998,460 was uninsured and uncollateralized.

At December 31, 2014, carrying amount of deposits for the Light Plant totaled \$378,533 and the bank balance totaled \$194,972. The entire bank balance was covered by the Federal Depository Insurance therefore none of the funds were exposed to custodial credit risk.

Investments

As of June 30, 2015, the Town of Groveland had the following investments:

Investment Type	<u>Fair Value</u>
<u>Other Investments:</u>	
MMDT.....	\$ 721,789
Equity Mutual Funds.....	<u>322,016</u>
 Total Investments.....	 \$ <u><u>1,043,805</u></u>

As of December 31, 2014, the Town of Groveland Municipal Light Department had the following investments:

Investment Type	<u>Fair Value</u>	<u>Maturities</u>			Rating
		<u>&lt; 1 Year</u>	<u>2-5 Years</u>	<u>&gt; 5 Years</u>	
<u>Debt Securities:</u>					
Municipal Bonds, and Government Securities.....	\$ 1,944,049	\$ 247,570	\$ 480,781	\$ 1,215,698	AA-A
<u>Other Investments:</u>					
Equities Securities.....	1,047,828				
MMDT.....	194,972				
Money Market Mutual Funds.....	<u>44,451</u>				
 Total Investments.....	 \$ <u><u>3,231,300</u></u>				

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 \$1,944,049 of municipal bonds and government securities; and \$1,047,828 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, 2015, receivables for the individual major, non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 283,612	\$ -	\$ 283,612
Tax liens.....	112,555	-	112,555
Motor vehicle excise taxes.....	68,507	(14,404)	54,103
Intergovernmental.....	532,324	-	532,324
Tax foreclosures.....	58,468	-	58,468
Total.....	<u>\$ 1,055,466</u>	<u>\$ (14,404)</u>	<u>\$ 1,041,062</u>

At June 30, 2015 (December 31, 2014 for the Electric Light fees), receivables for the water, sewer, and electric plant enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 482,354	\$ -	\$ 482,354
Sewer fees.....	312,508	-	312,508
Sewer special assessments.....	228,421	-	228,421
Electric light fees.....	645,627	-	645,627
Total.....	<u>\$ 1,668,910</u>	<u>\$ -</u>	<u>\$ 1,668,910</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	Total
<u>Receivable and other asset types:</u>			
Real estate and other taxes.....	\$ 553,809	\$ 7,522	\$ 561,331
Tax liens.....	112,555	-	112,555
Motor vehicle excise taxes.....	54,103	-	54,103
Intergovernmental.....	-	173,253	173,253
Tax foreclosures.....	58,468	-	58,468
Total.....	<u>\$ 778,935</u>	<u>\$ 180,775</u>	<u>\$ 959,710</u>



**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,916,644	\$ 4,879,395	\$ -	\$ 9,796,039
Construction in progress.....	8,488,742	-	(8,488,742)	-
Total capital assets not being depreciated.....	<u>13,405,386</u>	<u>4,879,395</u>	<u>(8,488,742)</u>	<u>9,796,039</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,185,780	101,685	-	1,287,465
Buildings and building improvements.....	8,301,534	-	-	8,301,534
Machinery and equipment.....	1,668,672	185,617	-	1,854,289
Vehicles.....	2,116,215	193,393	-	2,309,608
Infrastructure.....	13,559,396	8,886,807	-	22,446,203
Total capital assets being depreciated.....	<u>26,831,597</u>	<u>9,367,502</u>	<u>-</u>	<u>36,199,099</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(382,976)	(34,504)	-	(417,480)
Buildings and building improvements.....	(5,556,808)	(195,782)	-	(5,752,590)
Machinery and equipment.....	(1,233,948)	(100,490)	-	(1,334,438)
Vehicles.....	(1,467,123)	(131,813)	-	(1,598,936)
Infrastructure.....	(8,299,356)	(441,568)	-	(8,740,924)
Total accumulated depreciation.....	<u>(16,940,211)</u>	<u>(904,157)</u>	<u>-</u>	<u>(17,844,368)</u>
Total capital assets being depreciated, net.....	<u>9,891,386</u>	<u>8,463,345</u>	<u>-</u>	<u>18,354,731</u>
Total governmental activities capital assets, net.....	<u>\$ 23,296,772</u>	<u>\$ 13,342,740</u>	<u>\$ (8,488,742)</u>	<u>\$ 28,150,770</u>

Business-Type Activities	Beginning			Ending
	Balance	Increases	Decreases	
<b>Water:</b>				
<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.....	3,072,683	-	(2,593,930)	478,753
<u>Capital assets being depreciated:</u>				
Buildings.....	36,753	-	-	36,753
Machinery and equipment.....	310,760	-	-	310,760
Vehicles.....	24,307	-	-	24,307
Infrastructure.....	4,508,979	2,593,930	-	7,102,909
Total capital assets being depreciated.....	4,880,799	2,593,930	-	7,474,729
<u>Less accumulated depreciation for:</u>				
Buildings.....	(29,306)	(784)	-	(30,090)
Machinery and equipment.....	(176,396)	(22,340)	-	(198,736)
Vehicles.....	(24,307)	-	-	(24,307)
Infrastructure.....	(1,991,526)	(125,476)	-	(2,117,002)
Total accumulated depreciation.....	(2,221,535)	(148,600)	-	(2,370,135)
Total capital assets being depreciated, net.....	2,659,264	2,445,330	-	5,104,594
Total business-type activities capital assets, net.....	\$ 5,731,947	\$ 2,445,330	\$ (2,593,930)	\$ 5,583,347
	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>Sewer:</b>				
<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.....	782,907	-	(527,903)	255,004
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	19,450	-	-	19,450
Infrastructure.....	4,878,084	527,903	-	5,405,987
Total capital assets being depreciated.....	4,897,534	527,903	-	5,425,437
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(8,753)	(1,945)	-	(10,698)
Infrastructure.....	(2,802,086)	(125,816)	-	(2,927,902)
Total accumulated depreciation.....	(2,810,839)	(127,761)	-	(2,938,600)
Total capital assets being depreciated, net.....	2,086,695	400,142	-	2,486,837
Total business-type activities capital assets, net.....	\$ 2,869,602	\$ 400,142	\$ (527,903)	\$ 2,741,841

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Electric Light:</b>				
<u>Capital assets not being depreciated:</u>				
Land and land improvements.....	\$ 5,791	\$ 448,409	\$ -	\$ 454,200
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	222,204	761,427	-	983,631
Equipment.....	1,111,871	16,839	(1,773)	1,126,937
Infrastructure.....	6,680,306	178,706	(105,980)	6,753,032
Total capital assets being depreciated.....	8,014,381	956,972	(107,753)	8,863,600
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(102,830)	(19,708)	-	(122,538)
Equipment.....	(622,909)	(59,878)	1,773	(681,014)
Infrastructure.....	(2,625,148)	(204,796)	105,980	(2,723,964)
Total accumulated depreciation.....	(3,350,887)	(284,382)	107,753	(3,527,516)
Total Electric Light capital assets, net.....	4,663,494	672,590	-	5,336,084
Total capital assets being depreciated, net.....	\$ 4,669,285	\$ 1,120,999	\$ -	\$ 5,790,284

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

**Governmental Activities:**

General government.....	\$ 77,988
Public safety.....	152,178
Education.....	221,943
Public works.....	392,139
Human services.....	463
Culture and recreation.....	59,446

Total depreciation expense - governmental activities..... \$ 904,157

**Business-Type Activities:**

Water.....	\$ 148,600
Sewer.....	127,761
Electric light.....	284,382

Total depreciation expense - business-type activities..... \$ 560,743

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year end June 30, 2015, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 117,840	\$ 117,840 (1)
Nonmajor Governmental Funds....	301,402	-	301,402 (2)
Electric Light Enterprise Fund.....	35,000	-	35,000 (3)
Total.....	\$ 336,402	\$ 117,840	\$ 454,242

- (1) Budgeted appropriation from the general fund to nonmajor governmental funds for capital articles voted at Annual Town Meeting.
- (2) Budgeted appropriation to the general fund from the Conservation Commission, as well as from Town insurance proceeds.
- (3) 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, a loader, and a sidewalk plow. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Asset:	Governmental Activities
Machinery and equipment.....	\$ 300,401
Less: accumulated depreciation.....	(113,337)
Total.....	\$ 187,064

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Years Ending June 30,	Governmental Activities
2016.....	\$ 56,417
2017.....	23,496
2018.....	90,454
Total minimum lease payments.....	170,367
Less: amounts representing interest.....	(14,465)
Present value of minimum lease payments.....	\$ 155,902

**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 activity for the year ending June 30, 2015:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
<b>Governmental Funds</b>							
BAN	Land Acquisition.....	0.75%	06/19/15	\$ -	\$ 3,675,000	\$ 3,675,000	\$ -
<b>Enterprise Funds</b>							
BAN	Sewer.....	0.60%	6/19/15	\$ 140,000	\$ -	\$ 140,000	\$ -

**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, 2015, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Land acquisition.....	2035	\$ 3,675,000	2-4%	\$ -	\$ 3,675,000	\$ -	\$ 3,675,000
Unamortized premium.....				-	156,754	-	156,754
Total governmental bonds payable.....				\$ -	\$ 3,831,754	\$ -	\$ 3,831,754

Debt service requirements for principal and interest for the Governmental Funds bonds payable are on the following page.

Year	Principal	Interest	Total
2016.....	\$ 185,000	\$ 118,715	\$ 303,715
2017.....	185,000	116,012	301,012
2018.....	185,000	112,312	297,312
2019.....	185,000	104,912	289,912
2020.....	185,000	97,512	282,512
2021.....	185,000	90,112	275,112
2022.....	185,000	82,712	267,712
2023.....	185,000	75,312	260,312
2024.....	185,000	67,912	252,912
2025.....	185,000	60,512	245,512
2026.....	185,000	53,112	238,112
2027.....	185,000	48,488	233,488
2028.....	185,000	43,400	228,400
2029.....	185,000	38,312	223,312
2030.....	185,000	33,226	218,226
2031.....	180,000	27,676	207,676
2032.....	180,000	22,276	202,276
2033.....	180,000	16,876	196,876
2034.....	180,000	11,250	191,250
2035.....	180,000	5,626	185,626
Totals.....	\$ <u>3,675,000</u>	\$ <u>1,226,265</u>	\$ <u>4,901,265</u>

**Bonds Payable Schedule – Water Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Water well.....	2032	120,000	2-3%	\$ 110,000	\$ -	\$ 5,000	\$ 105,000
Water storage tank & mains.....	2032	925,000	2-3%	855,000	-	40,000	815,000
Water storage tank & mains II.....	2032	700,000	2-3%	645,000	-	30,000	615,000
Water 1.....	2032	262,000	2-3%	210,000	-	25,000	185,000
Water 2.....	2032	338,000	2-3%	310,000	-	15,000	295,000
Total Water enterprise debt.....				\$ <u>2,130,000</u>	\$ -	\$ <u>115,000</u>	\$ <u>2,015,000</u>

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

Year	Principal	Interest	Total
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	\$ <u>2,015,000</u>	\$ <u>548,100</u>	\$ <u>2,563,100</u>

**Bonds Payable Schedule – Sewer Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
Sewer.....	2019	\$ 357,000	4.70%	\$ 175,000	\$ -	\$ 35,000	\$ 140,000
Sewer.....	2032	146,000	2-3%	135,000	-	5,000	130,000
Sewer pump station repairs.....	2032	625,000	2-3%	575,000	-	25,000	550,000
Sewer.....	2035	140,000	2-4%	-	140,000	-	140,000
Total Sewer enterprise debt.....				\$ 885,000	\$ 140,000	\$ 65,000	\$ 960,000

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

Year	Principal	Interest	Total
2016.....	\$ 75,000	\$ 29,874	\$ 104,874
2017.....	75,000	27,468	102,468
2018.....	75,000	25,024	100,024
2019.....	80,000	22,378	102,378
2020.....	45,000	20,106	65,106
2021.....	45,000	18,656	63,656
2022.....	45,000	17,206	62,206
2023.....	45,000	15,756	60,756
2024.....	45,000	14,306	59,306
2025.....	50,000	12,906	62,906
2026.....	50,000	11,356	61,356
2027.....	50,000	9,882	59,882
2028.....	50,000	8,394	58,394
2029.....	50,000	6,906	56,906
2030.....	55,000	5,418	60,418
2031.....	55,000	3,768	58,768
2032.....	55,000	2,118	57,118
2033.....	5,000	468	5,468
2034.....	5,000	312	5,312
2035.....	5,000	156	5,156
Totals.....	\$ 960,000	\$ 252,458	\$ 1,212,458

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, 2015, the Town had no authorized and unissued debt outstanding.

Changes in Long-term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2014	Current Portion
<b>Governmental Activities:</b>					
Long-term bonds.....	\$ -	\$ 3,675,000	\$ -	\$ 3,675,000	\$ 185,000
Unamortized premium.....	-	156,754	-	156,754	15,175
Bonds payable, net.....	-	3,831,754	-	3,831,754	200,175
Capital lease obligations.....	60,503	149,145	(53,746)	155,902	49,110
Compensated absences.....	179,000	33,650	(44,750)	167,900	41,975
Other postemployment benefits.....	785,967	305,662	(105,436)	986,193	-
Net pension liability.....	5,654,746	6,814	-	5,661,560	-
Capital assessment payable.....	6,964,608	24,898	(261,695)	6,727,811	262,285
Total governmental activity long-term liabilities.....	\$ 13,644,824	\$ 4,351,923	\$ (465,627)	\$ 17,531,120	\$ 553,545

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2014	Current Portion
<b>Business-Type Activities:</b>					
Long-term bonds.....	\$ 3,015,000	\$ 140,000	\$ (180,000)	\$ 2,975,000	\$ 190,000
Compensated absences.....	19,300	5,025	(4,825)	19,500	4,875
Net pension liability.....	678,376	817	-	679,193	-
Other postemployment benefits.....	274,411	98,995	(47,979)	325,427	-
Total business-type activity					
long-term liabilities.....	\$ <u>3,987,087</u>	\$ <u>244,837</u>	\$ <u>(232,804)</u>	\$ <u>3,999,120</u>	\$ <u>194,875</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 2015 approximately \$25,000 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, 2015, based on expenditures incurred to date is approximately \$6.7 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 \$740,000 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.....	\$ -	\$ -	\$ 402,918	\$ 402,918
Restricted for:				
Town grant funds.....	-	-	293,546	293,546
Community preservation fund.....	-	2,197,185	-	2,197,185
Receipts reserved for appropriations.....	-	-	111,050	111,050
Special revenue trust funds.....	-	-	91,287	91,287
Town revolving funds.....	-	-	296,930	296,930
Town donation fund.....	-	-	159,817	159,817
Other special revenue funds.....	-	-	897,897	897,897
Town capital projects fund.....	-	-	27,558	27,558
Assigned for carryover encumbrances to:				
General government.....	32,971	-	-	32,971
Public works.....	32,953	-	-	32,953
Unassigned.....	<u>2,047,066</u>	-	-	<u>2,047,066</u>
Total Fund Balances.....	<u>\$ 2,112,990</u>	<u>\$ 2,197,185</u>	<u>\$ 2,281,003</u>	<u>\$ 6,591,178</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 Descriptions*

The Town is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 47 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

*Benefits Provided*

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Board and are borne by the System.

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2014 was \$598,799, and 23.41% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2015, the Town reported a liability of \$6,340,753 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the Town's proportion was 2.331%, which did not change from its proportion measured at December 31, 2013.

*Pension Expense*

For the year ended June 30, 2015, the Town recognized pension expense of \$515,156. At June 30, 2015, the Town reported deferred inflows of resources related to pensions of \$27,314, from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

The Town’s deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016.....	\$ 6,829
2017.....	6,829
2018.....	6,829
2019.....	<u>6,827</u>
Total.....	\$ <u>27,314</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Closed - Approximate level percent of payroll.
Remaining amortization period.....	20 years for the fresh start base
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Projected salary increases.....	Select and Ultimate. 7.50% year one, 6.5% year two, 6.00% year three, 5.50% year four, 5.00% year five, 3.75% ultimate rate.
Cost of living adjustments.....	3.0% of the first \$13,000 of a members retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.
Investment rate of return/Discount rate.....	8.00% per year

*Investment policy*

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Core Bonds.....	0.97%	13.00%
Value-Added Bonds.....	3.80%	10.00%
Large Cap Equities.....	4.61%	14.50%
Mid/Small Cap Equities.....	4.85%	3.50%
International Equities.....	5.10%	16.00%
Emerging Market Equities.....	6.31%	6.00%
Private Equity.....	6.55%	10.00%
Real Estate.....	3.40%	10.00%
Timber/Natural Resources.....	3.64%	4.00%
Hedge Funds.....	3.64%	9.00%
Cash/Portfolio Completion.....	0.00%	4.00%
		100.00%

*Rate of return*

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount (8.00%)</u>	<u>1% Increase (9.00%)</u>
The Town's proportionate share of the net pension liability.....	\$ 9,754,869	\$ 7,906,594	\$ 6,417,378

The Town's proportionate share of the net pension liability of \$7,906,594 includes \$1,565,841 for the Groveland Electric Light Department that will not be recorded until their calendar year-end of December 31, 2015.

**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 2015, the Town contributed approximately \$153,000 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.....	\$ 433,851
Interest on net OPEB obligation.....	42,416
Adjustments to annual required contribution.....	<u>(71,611)</u>
Annual OPEB cost/expense.....	404,656
Contributions made.....	<u>(153,415)</u>
Increase in net OPEB obligation.....	251,241
Net OPEB obligation - beginning of year.....	<u>1,060,378</u>
Net OPEB obligation - end of year.....	<u>\$ 1,311,619</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the previous two years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 404,656	37.9%	\$ 1,311,619
6/30/2014	322,672	26.8%	1,060,378
6/30/2013	313,946	64.6%	824,154

*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:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
7/1/2013	\$ -	\$ 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, 2015, is 23 years.

**NOTE 14 – 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, 2015, 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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 24, 2016, which is the date the financial statements were available to be issued.

**NOTE 16 – REVISION OF NET POSITION PREVIOUSLY REPORTED**

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #68. The revised balances are summarized in the following table:

	6/30/2014 Previously Reported Balances	Implementation of GASB #68	6/30/2014 Revised Balances
<b>Government-Wide Financial Statements</b>			
Governmental activities.....	\$ 24,156,490	\$ (5,654,746)	\$ 18,501,744
Business-type activities.....	<u>16,455,222</u>	<u>(678,376)</u>	<u>15,776,846</u>
Total.....	<u>\$ 40,611,712</u>	<u>\$ (6,333,122)</u>	<u>\$ 34,278,590</u>

	6/30/2014 Previously Reported Balances	Implementation of GASB #68	6/30/2014 Revised Balances
<b>Proprietary Fund Financial Statements</b>			
Water Enterprise.....	\$ 4,060,473	\$ (474,396)	\$ 3,586,077
Sewer Enterprise.....	2,617,355	(203,980)	2,413,375
Electric Light, December 31, 2013.....	9,777,394	-	9,777,394
Total.....	<u>\$ 16,455,222</u>	<u>\$ (678,376)</u>	<u>\$ 15,776,846</u>

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

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, 2015

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 12,104,728	\$ 12,104,728	\$ 12,281,051	\$ -	\$ 176,323
Motor vehicle excise taxes.....	850,000	850,000	881,327	-	31,327
Penalties and interest on taxes.....	75,000	75,000	82,748	-	7,748
Payments in lieu of taxes.....	36,000	36,000	41,074	-	5,074
Intergovernmental.....	843,269	843,269	843,672	-	403
Departmental and other.....	196,500	196,500	213,461	-	16,961
Investment income.....	8,000	8,000	7,769	-	(231)
<b>TOTAL REVENUES.....</b>	<b>14,113,497</b>	<b>14,113,497</b>	<b>14,351,102</b>	<b>-</b>	<b>237,605</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	912,403	887,954	825,733	32,971	29,250
Public safety.....	1,576,280	1,595,293	1,570,257	-	25,036
Education.....	9,013,093	8,991,172	8,966,647	-	24,525
Public works.....	1,339,859	1,589,766	1,551,290	32,953	5,523
Human services.....	228,221	237,711	232,845	-	4,866
Culture and recreation.....	232,613	232,481	192,647	-	39,834
Pension benefits.....	410,661	410,660	410,660	-	-
Property and liability insurance.....	98,000	106,000	105,787	-	213
Employee benefits.....	392,615	392,615	378,130	-	14,485
State and county charges.....	79,033	79,033	79,033	-	-
Debt service:					
Interest.....	19,863	72,559	19,863	-	52,696
<b>TOTAL EXPENDITURES.....</b>	<b>14,302,641</b>	<b>14,595,244</b>	<b>14,332,892</b>	<b>65,924</b>	<b>196,428</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(189,144)</b>	<b>(481,747)</b>	<b>18,210</b>	<b>(65,924)</b>	<b>434,033</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	156,754	-	156,754
Use of fund balance for prior year carryforwards.....	271,984	271,984	-	-	(271,984)
Transfers in.....	35,000	327,603	336,402	-	8,799
Transfers out.....	(117,840)	(117,840)	(117,840)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)....</b>	<b>189,144</b>	<b>481,747</b>	<b>375,316</b>	<b>-</b>	<b>(106,431)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>393,526</b>	<b>(65,924)</b>	<b>327,602</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,124,450</b>	<b>1,124,450</b>	<b>1,124,450</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,124,450</b>	<b>\$ 1,124,450</b>	<b>\$ 1,517,976</b>	<b>\$ (65,924)</b>	<b>\$ 327,602</b>

See notes to required supplementary information.

# Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
ESSEX REGIONAL RETIREMENT SYSTEM**

---

	December 31, 2014
Town's proportion of the net pension liability (asset).....	2.331%
Town's proportionate share of the net pension liability (asset)..... \$	6,340,753
Town's covered employee payroll..... \$	2,557,548
Net pension liability as a percentage of covered-employee payroll.....	247.92%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF TOWN CONTRIBUTIONS**  
**ESSEX REGIONAL RETIREMENT SYSTEM**

---

	December 31, 2014
Actuarially determined contribution..... \$	598,799
Contributions in relation to the actuarially determined contribution.....	598,799
Contribution deficiency (excess)..... \$	-
Covered-employee payroll..... \$	2,557,548
Contributions as a percentage of covered- employee payroll.....	23.41%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

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, 2015

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
2015	\$ 433,851	\$ 153,415	35.4%
2014	411,645	148,757	36.1%
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%

See notes to required supplementary information.



**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2015

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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, 2014
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 ACCOUNTABILITY**

A. Budgetary Information

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

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

The majority of the Town’s appropriations are non-continuing which lapse at the end of each 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 2015 approved budget authorized \$14.1 million in appropriations and other amounts to be raised, along with \$272,000 of prior year carryforwards. During 2015, Town meeting also approved \$293,000 in supplemental appropriations

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, 2015, is presented below:

Net change in fund balance - budgetary basis.....	\$ 393,526
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	(31,129)
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	(156,806)
Net change in revenues in recording tax refunds payable.....	<u>10,000</u>
Net change in fund balance - GAAP basis.....	<u>\$ 215,591</u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules*****A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the Town's allocated percentage of the net pension liability (asset), the Town's proportionate share of the net pension liability, and the Town's covered employee payroll. It also demonstrates the Town's net position as a percentage of the Town's pension liability and the Town's net pension liability as a percentage of the Town's covered payroll.

**B. Schedule of Town's Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The Town's appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The Town's appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual Town contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

**C. Changes of Assumptions** – There were no changes in assumptions.

**D. Changes of Plan Provisions** – There were no changes in plan provisions.

**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***



**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**

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**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, 2015, 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 March 24, 2016. Our report includes a reference to another auditor who audited the financial statements of the Groveland Municipal Light Department as of December 31, 2014, 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:

- 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.

*Powers + Juliani, LLC*

March 24, 2016