

TOWN OF GROVELAND, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2016

TOWN OF GROVELAND, MASSACHUSETTS

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JUNE 30, 2016

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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, 2016, 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, 2015, which is both a major fund and 51%, 61%, and 80%, 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, 2016 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2015), 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 April 27, 2017 on our consideration of the Town of Groveland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Groveland, Massachusetts' internal control over financial reporting and compliance.

Powers + Juliani, LLC

April 27, 2017

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, 2016. 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 fire ladder truck 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 uses the fiduciary funds to account for its OPEB trust, private purpose trust funds and agency funds.

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

Financial Highlights

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Groveland's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$18.5 million and the business-type activities by \$15.2 million at the close of the most recent year. Key components of the Town's activities are presented below.

Governmental Activities

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 9,001,910	\$ 8,148,100
Capital assets.....	27,824,143	28,150,770
Total assets.....	<u>36,826,053</u>	<u>36,298,870</u>
Deferred Outflows of resources:		
Deferred outflows of resources related to pensions.....	<u>308,184</u>	<u>-</u>
Liabilities:		
Current liabilities (excluding debt).....	188,335	644,092
Noncurrent liabilities (excluding debt).....	7,130,857	6,773,678
Current debt.....	1,391,670	511,570
Noncurrent debt.....	9,722,816	10,203,897
Total liabilities.....	<u>18,433,678</u>	<u>18,133,237</u>
Deferred Inflows of resources:		
Deferred inflows of resources related to pensions.....	<u>168,484</u>	<u>24,388</u>
Net Position:		
Net investment in capital assets.....	17,459,657	17,435,303
Restricted.....	3,202,025	3,234,241
Unrestricted.....	(2,129,607)	(2,528,299)
Total net position.....	<u>\$ 18,532,075</u>	<u>\$ 18,141,245</u>

Governmental net position of \$17.5 million 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 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$2.1 million. The primary reason for this deficit balance is the recognition of the \$1.2 million OPEB liability and the \$5.8 million net pension liability.

Governmental activities increased the Town's net position by \$391,000 during 2016 as compared to a decrease of \$360,000 in 2015. Overall, there was an increase in revenue of \$1.4 million (9%) primarily due to real estate and personal property collections, and an increase in expenses of \$663,000 (4%). Expenses increased for public safety, educational assessments, community development, culture and recreation, and interest.

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for services.....	\$ 506,801	\$ 533,774
Operating grants and contributions.....	375,355	393,392
Capital grants and contributions.....	600,539	320,644
General Revenues:		
Real estate and personal property taxes.....	13,264,552	12,329,313
Motor vehicle and other excise taxes.....	1,003,006	875,019
Nonrestricted grants.....	989,645	843,672
Unrestricted investment income.....	43,561	18,223
Other revenues.....	310,922	382,873
Total revenues.....	<u>17,094,381</u>	<u>15,696,910</u>
Expenses:		
General Government.....	1,699,780	1,779,891
Public Safety.....	2,497,059	2,364,639
Education.....	9,672,064	8,937,448
Public Works.....	1,766,628	2,138,784
Community Development.....	185,541	100,862
Human Services.....	287,074	315,469
Culture and Recreation.....	543,655	430,548
Interest.....	103,969	24,768
Total expenses.....	<u>16,755,770</u>	<u>16,092,409</u>
Excess before transfers.....	338,611	(395,499)
Transfers.....	<u>52,219</u>	<u>35,000</u>
Change in net position.....	390,830	(360,499)
Net position - beginning	<u>18,141,245</u>	<u>18,501,744</u>
Net position - ending.....	<u>\$ 18,532,075</u>	<u>\$ 18,141,245</u>

Business-type Activities

The Town's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.2 million at year end, an increase of \$445,000 over the prior year. The water, sewer, and electric light department's change in net position each amounted to \$64,000, (\$237,000), and \$617,000, respectively, during 2016.

Water Activities

Water business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.8 million at the close of 2016. Net investment in capital assets was \$3.5 million and unrestricted net position was \$321,000. Net position increased during 2016 by \$64,000 compared to an increase of \$178,000 in the prior year.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 2,434,511	\$ 788,287
Capital assets.....	<u>5,407,275</u>	<u>5,583,347</u>
Total assets.....	<u>7,841,786</u>	<u>6,371,634</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions....	<u>26,888</u>	<u>-</u>
Liabilities:		
Current liabilities (excluding debt).....	39,015	45,422
Noncurrent liabilities (excluding debt).....	587,109	545,489
Current debt.....	1,615,000	115,000
Noncurrent debt.....	<u>1,785,000</u>	<u>1,900,000</u>
Total liabilities.....	<u>4,026,124</u>	<u>2,605,911</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>14,700</u>	<u>2,046</u>
Net Position:		
Net investment in capital assets.....	3,507,275	3,568,347
Unrestricted.....	<u>320,575</u>	<u>195,330</u>
Total net position.....	<u>\$ 3,827,850</u>	<u>\$ 3,763,677</u>
Program Revenues:		
Charges for services.....	\$ 929,135	\$ 923,835
Expenses:		
Water.....	<u>864,962</u>	<u>746,235</u>
Change in net position.....	64,173	177,600
Net position - beginning.....	<u>3,763,677</u>	<u>3,586,077</u>
Net position - ending.....	<u>\$ 3,827,850</u>	<u>\$ 3,763,677</u>

Sewer Activities

Sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.2 million at the close of 2016. Net investment in capital assets was \$1.8 million and unrestricted net position was \$406,000. Net position decreased during 2016 by \$237,000 compared to a decrease of \$6,000 in the prior year.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 611,551	\$ 695,400
Noncurrent assets (excluding capital).....	142,392	218,413
Capital assets.....	<u>2,608,737</u>	<u>2,741,841</u>
Total assets.....	<u>3,362,680</u>	<u>3,655,654</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions....	<u>12,126</u>	<u>-</u>
Liabilities:		
Current liabilities (excluding debt).....	15,570	23,056
Noncurrent liabilities (excluding debt).....	296,990	264,471
Current debt.....	75,000	75,000
Noncurrent debt.....	<u>810,000</u>	<u>885,000</u>
Total liabilities.....	<u>1,197,560</u>	<u>1,247,527</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>6,629</u>	<u>880</u>
Net Position:		
Net investment in capital assets.....	1,765,046	2,151,201
Unrestricted.....	<u>405,571</u>	<u>256,046</u>
Total net position.....	<u>\$ 2,170,617</u>	<u>\$ 2,407,247</u>
Program Revenues:		
Charges for services.....	\$ 412,045	\$ 473,081
Capital grants and contributions.....	<u>-</u>	<u>21,809</u>
Total revenues.....	<u>412,045</u>	<u>494,890</u>
Expenses:		
Sewer.....	631,456	501,018
Transfers.....	<u>(17,219)</u>	<u>-</u>
Change in net position.....	<u>(236,630)</u>	<u>(6,128)</u>
Net position - beginning.....	<u>2,407,247</u>	<u>2,413,375</u>
Net position - ending.....	<u>\$ 2,170,617</u>	<u>\$ 2,407,247</u>

Electric Activities

Electric business-type activities assets exceeded liabilities and deferred inflows of resources by \$9.2 million at the close of calendar year 2015. Net investment in capital assets was \$5.9 million and unrestricted net position was \$3.3 million. Net position increased during calendar year 2015 by \$617,000 compared to an increase of \$409,000 in the prior year.

	<u>December 31, 2015</u>	<u>December 31, 2014 (As Revised)</u>
Assets:		
Current assets.....	\$ 5,607,725	\$ 5,015,439
Capital assets.....	5,892,915	5,790,284
Total assets.....	11,500,640	10,805,723
Liabilities:		
Current liabilities (excluding debt).....	450,254	410,092
Noncurrent liabilities (excluding debt).....	1,804,237	1,773,243
Total liabilities.....	2,254,491	2,183,335
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	6,745	-
Net Position:		
Net investment in capital assets.....	5,892,915	5,790,284
Unrestricted.....	3,346,489	2,832,104
Total net position.....	\$ 9,239,404	\$ 8,622,388
Program Revenues:		
Charges for services.....	\$ 5,455,343	\$ 5,112,559
General Revenues:		
Unrestricted investment income.....	120,053	209,374
Total revenues.....	5,575,396	5,321,933
Expenses:		
Electric Light.....	4,923,380	4,877,981
Excess before transfers.....	652,016	443,952
Transfers.....	(35,000)	(35,000)
Change in net position.....	617,016	408,952
Net position - beginning (as revised).....	8,622,388	8,213,436
Net position - ending.....	\$ 9,239,404	\$ 8,622,388

As required by GASB Statement #68, in calendar 2015 the Groveland Municipal Light Department recognized their total net pension liability of \$1,565,841 million along with a deferred inflow related to pension of \$6,745 on the statement of net position for the first time. Beginning of year net position has been revised (decreased) in the amount of \$1,563,958 as part of this implementation.

Financial Analysis of the Government's Major Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$7 million, an increase of \$370,000 from the prior year.

General Fund

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$2.9 million; total fund balance was also \$2.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balances both represent approximately 19% of total general fund expenditures.

The general fund increased by \$762,000 during 2016 primarily due to greater than anticipated revenue collections.

Community Preservation Major Fund

The Community Preservation fund had an ending fund balance at June 30, 2016 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 virtually broke even for the year.

Fire Ladder Truck Major Fund

The Fire Ladder Truck fund is used to account for financial resources to be used for the purchase of a ladder truck for the fire department. The fund issued \$750,000 of bond anticipation notes during 2016 to finance the purchase of the ladder truck; however, the actual purchase and receipt of the ladder truck did not occur until 2017.

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 2016 approved budget authorized \$15.4 million in appropriations and other amounts to be raised, along with \$68,000 of prior year carryforwards

Actual revenues exceeded budgeted amounts by \$735,000 and actual expenditures (including carryovers) were less than budgeted amounts by \$283,000.

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 2016 the Town expended \$671,000 on governmental activities capital assets consisting mainly of roadway improvements funded through the Commonwealth's Chapter 90 reimbursement program, police dispatch equipment, and Washington Park playground equipment. The business-type activities expended approximately \$378,000 consisting mainly of additions to the electric plant.

Outstanding long-term debt of governmental activities, as of June 30, 2016, totaled \$3.6 million. The decrease over the prior year is entirely attributable to scheduled principal payments.

Outstanding long-term debt of the business type activities, as of June 30, 2016, totaled \$2.8 million, of which \$885,000 relates to sewer projects and \$1.9 million related to water projects. The decrease over the prior year is entirely attributable to the principal payments.

The Town has also recorded a liability of \$6.5 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, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 7,588,267	\$ 3,130,340	\$ 10,718,607
Restricted cash and cash equivalents.....	-	79,287	79,287
Investments.....	317,474	3,267,224	3,584,698
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	90,309	-	90,309
Tax liens.....	459,704	-	459,704
Motor vehicle excise taxes.....	55,259	-	55,259
Water fees.....	-	534,323	534,323
Sewer fees.....	-	265,003	265,003
Electric light fees.....	-	597,719	597,719
Special assessments.....	-	11,509	11,509
Intergovernmental.....	432,429	-	432,429
Tax foreclosures.....	58,468	-	58,468
Inventory.....	-	11,561	11,561
Prepaid expenses.....	-	756,821	756,821
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	142,392	142,392
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	9,796,039	1,187,957	10,983,996
Depreciable.....	18,028,104	12,720,970	30,749,074
TOTAL ASSETS.....	36,826,053	22,705,106	59,531,159
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	308,184	39,014	347,198
LIABILITIES			
CURRENT:			
Warrants payable.....	77,173	361,102	438,275
Accrued payroll.....	65,853	5,969	71,822
Accrued interest.....	4,834	37,860	42,694
Customer deposits payable.....	-	94,283	94,283
Capital lease obligations.....	19,555	-	19,555
Compensated absences.....	40,475	5,625	46,100
Capital assessment payable.....	262,285	-	262,285
Notes payable.....	910,000	1,500,000	2,410,000
Bonds payable.....	199,830	190,000	389,830
NONCURRENT:			
Capital lease obligations.....	87,236	-	87,236
Compensated absences.....	121,425	16,875	138,300
Other postemployment benefits.....	1,198,325	369,976	1,568,301
Net pension liability.....	5,811,107	2,301,485	8,112,592
Capital assessment payable.....	6,203,831	-	6,203,831
Bonds payable.....	3,431,749	2,595,000	6,026,749
TOTAL LIABILITIES.....	18,433,678	7,478,175	25,911,853
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions.....	168,484	28,074	196,558
NET POSITION			
Net investment in capital assets.....	17,459,657	11,165,236	28,624,893
Restricted for:			
Permanent funds:			
Nonexpendable.....	405,418	-	405,418
Community preservation.....	2,388,046	-	2,388,046
Gifts and grants.....	408,561	-	408,561
Unrestricted.....	(2,129,607)	4,072,635	1,943,028
TOTAL NET POSITION.....	\$ 18,532,075	\$ 15,237,871	\$ 33,769,946

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,699,780	\$ 321,920	\$ 92,018	\$ 2,992	\$ (1,282,850)
Public safety.....	2,497,059	137,387	26,611	-	(2,333,061)
Education.....	9,672,064	-	-	-	(9,672,064)
Public works.....	1,766,628	28,906	25,285	425,138	(1,287,299)
Community preservation.....	185,541	-	-	172,409	(13,132)
Human services.....	287,074	18,588	27,543	-	(240,943)
Culture and recreation.....	543,655	-	203,898	-	(339,757)
Interest.....	103,969	-	-	-	(103,969)
Total Governmental Activities.....	16,755,770	506,801	375,355	600,539	(15,273,075)
<i>Business-Type Activities:</i>					
Water.....	864,962	929,135	-	-	64,173
Sewer.....	631,456	412,045	-	-	(219,411)
Electric Light.....	4,923,380	5,455,343	-	-	531,963
Total Business-Type Activities.....	6,419,798	6,796,523	-	-	376,725
Total Primary Government.....	\$ 23,175,568	\$ 7,303,324	\$ 375,355	\$ 600,539	\$ (14,896,350)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (15,273,075)	\$ 376,725	\$ (14,896,350)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	12,725,825	-	12,725,825
Tax liens.....	538,727	-	538,727
Motor vehicle excise taxes.....	1,003,006	-	1,003,006
Community preservation tax.....	240,833	-	240,833
Penalties and interest on taxes.....	62,618	-	62,618
Grants and contributions not restricted to specific programs.....	989,645	-	989,645
Unrestricted investment income.....	43,561	120,053	163,614
Miscellaneous.....	7,471	-	7,471
<i>Transfers, net</i>	52,219	(52,219)	-
Total general revenues and transfers.....	<u>15,663,905</u>	<u>67,834</u>	<u>15,731,739</u>
Change in net position.....	390,830	444,559	835,389
<i>Net Position:</i>			
Beginning of year, as revised.....	<u>18,141,245</u>	<u>14,793,312</u>	<u>32,934,557</u>
End of year.....	<u>\$ 18,532,075</u>	<u>\$ 15,237,871</u>	<u>\$ 33,769,946</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Community Preservation	Fire Ladder Truck	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 2,978,719	\$ 2,253,427	\$ 768,411	\$ 1,587,710	\$ 7,588,267
Investments.....	-	-	-	317,474	317,474
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	83,497	6,812	-	-	90,309
Tax liens.....	459,704	-	-	-	459,704
Motor vehicle excise taxes.....	55,259	-	-	-	55,259
Intergovernmental.....	-	128,161	-	304,268	432,429
Tax foreclosures.....	58,468	-	-	-	58,468
TOTAL ASSETS.....	\$ 3,635,647	\$ 2,388,400	\$ 768,411	\$ 2,209,452	\$ 9,001,910
LIABILITIES					
Warrants payable.....	\$ 69,780	\$ 354	\$ -	\$ 7,039	\$ 77,173
Accrued payroll.....	55,331	-	-	10,522	65,853
Notes payable.....	-	-	750,000	160,000	910,000
TOTAL LIABILITIES.....	125,111	354	750,000	177,561	1,053,026
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	635,957	141,507	-	210,475	987,939
FUND BALANCES					
Nonspendable.....	-	-	-	405,418	405,418
Restricted.....	-	2,246,539	18,411	1,541,264	3,806,214
Assigned.....	9,142	-	-	-	9,142
Unassigned.....	2,865,437	-	-	(125,266)	2,740,171
TOTAL FUND BALANCES.....	2,874,579	2,246,539	18,411	1,821,416	6,960,945
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 3,635,647	\$ 2,388,400	\$ 768,411	\$ 2,209,452	\$ 9,001,910

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....		\$ 6,960,945
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		27,824,143
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		987,939
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.....		139,700
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(4,834)
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.....	(3,631,579)	
Capital lease obligations.....	(106,791)	
Compensated absences.....	(161,900)	
Other postemployment benefits.....	(1,198,325)	
Net pension liability.....	(5,811,107)	
Capital assessment payable.....	(6,466,116)	
Net effect of reporting long-term liabilities.....		<u>(17,375,818)</u>
Net position of governmental activities.....		<u>\$ 18,532,075</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Community Preservation	Fire Ladder Truck	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 13,215,981	\$ -	\$ -	\$ -	\$ 13,215,981
Tax liens.....	191,577	-	-	-	191,577
Motor vehicle excise taxes.....	1,002,978	-	-	-	1,002,978
Penalties and interest on taxes.....	62,618	-	-	-	62,618
Intergovernmental.....	989,645	172,409	-	228,818	1,390,872
Departmental and other.....	217,324	-	-	501,113	718,437
Community preservation.....	-	280,101	-	-	280,101
Contributions.....	-	-	-	152,556	152,556
Investment income.....	10,691	32,870	-	-	43,561
TOTAL REVENUES.....	15,690,814	485,380	-	882,487	17,058,681
EXPENDITURES:					
Current:					
General government.....	781,937	-	-	606,205	1,388,142
Public safety.....	1,622,256	-	-	289,978	1,912,234
Education.....	9,606,390	-	-	-	9,606,390
Public works.....	1,211,768	-	-	281,132	1,492,900
Community development.....	-	436,026	-	-	436,026
Human services.....	213,188	-	-	20,069	233,257
Culture and recreation.....	197,083	-	-	222,938	420,021
Pension benefits.....	429,177	-	-	-	429,177
Property and liability insurance.....	106,628	-	-	-	106,628
Employee benefits.....	338,922	-	-	-	338,922
State and county charges.....	80,692	-	-	-	80,692
Debt service:					
Principal.....	185,000	-	-	-	185,000
Interest.....	119,215	-	-	-	119,215
TOTAL EXPENDITURES.....	14,892,256	436,026	-	1,420,322	16,748,604
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	798,558	49,354	-	(537,835)	310,077
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds and notes.....	7,471	-	-	-	7,471
Transfers in.....	52,219	-	-	96,659	148,878
Transfers out.....	(96,659)	-	-	-	(96,659)
TOTAL OTHER FINANCING SOURCES (USES).....	(36,969)	-	-	96,659	59,690
NET CHANGE IN FUND BALANCES.....	761,589	49,354	-	(441,176)	369,767
FUND BALANCES AT BEGINNING OF YEAR.....	2,112,990	2,197,185	18,411	2,262,592	6,591,178
FUND BALANCES AT END OF YEAR.....	\$ 2,874,579	\$ 2,246,539	\$ 18,411	\$ 1,821,416	\$ 6,960,945

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, 2016

Net change in fund balances - total governmental funds.....	\$	369,767
<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.....	671,418	
Depreciation expense.....	<u>(998,045)</u>	
Net effect of reporting capital assets.....		(326,627)
<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>		
		28,229
<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 payments.....	261,695	
Debt service principal payments.....	185,000	
Amortization of premiums on bonds.....	<u>15,175</u>	
Net effect of reporting long-term debt.....		461,870
<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.....	71	
Net change in capital lease obligation.....	49,111	
Net change in compensated absences accrual.....	6,000	
Net change in other postemployment benefits.....	(212,132)	
Net change in deferred outflow/(inflow) of resources.....	164,088	
Net change in net pension liability.....	<u>(149,547)</u>	
Net effect of recording long-term liabilities.....		<u>(142,409)</u>
Change in net position of governmental activities.....	\$	<u><u>390,830</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2015	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,900,188	\$ 335,039	\$ 895,113	\$ 3,130,340
Restricted cash and cash equivalents.....	-	-	79,287	79,287
Investments.....	-	-	3,267,224	3,267,224
Receivables, net of allowance for uncollectibles:				
User fees.....	534,323	265,003	597,719	1,397,045
Special assessments.....	-	11,509	-	11,509
Inventory.....	-	-	11,561	11,561
Prepaid expenses.....	-	-	756,821	756,821
Total current assets.....	2,434,511	611,551	5,607,725	8,653,787
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	142,392	-	142,392
Capital assets:				
Nondepreciable.....	478,753	255,004	454,200	1,187,957
Depreciable.....	4,928,522	2,353,733	5,438,715	12,720,970
Total noncurrent assets.....	5,407,275	2,751,129	5,892,915	14,051,319
TOTAL ASSETS.....	\$ 7,841,786	\$ 3,362,680	\$ 11,500,640	\$ 22,705,106
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions.....	26,888	12,126	-	39,014
LIABILITIES				
CURRENT:				
Warrants payable.....	\$ 4,826	\$ 305	\$ 355,971	\$ 361,102
Accrued payroll.....	4,343	1,626	-	5,969
Accrued interest.....	25,071	12,789	-	37,860
Customer deposits payable.....	-	-	94,283	94,283
Compensated absences.....	4,775	850	-	5,625
Notes payable.....	1,500,000	-	-	1,500,000
Bonds payable.....	115,000	75,000	-	190,000
Total current liabilities.....	1,654,015	90,570	450,254	2,194,839
NONCURRENT:				
Compensated absences.....	14,325	2,550	-	16,875
Other postemployment benefits.....	65,790	65,790	238,396	369,976
Net pension liability.....	506,994	228,650	1,565,841	2,301,485
Bonds payable.....	1,785,000	810,000	-	2,595,000
Total noncurrent liabilities.....	2,372,109	1,106,990	1,804,237	5,283,336
TOTAL LIABILITIES.....	4,026,124	1,197,560	2,254,491	7,478,175
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions.....	14,700	6,629	6,745	28,074
NET POSITION				
Net investment in capital assets.....	3,507,275	1,765,046	5,892,915	11,165,236
Unrestricted.....	320,575	405,571	3,346,489	4,072,635
TOTAL NET POSITION.....	\$ 3,827,850	\$ 2,170,617	\$ 9,239,404	\$ 15,237,871

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2015	Total
OPERATING REVENUES:				
Charges for services	\$ 929,135	\$ 412,045	\$ 5,319,406	\$ 6,660,586
Other fees.....	-	-	135,937	135,937
TOTAL OPERATING REVENUES	929,135	412,045	5,455,343	6,796,523
OPERATING EXPENSES:				
Cost of services and administration	632,244	470,033	1,184,621	2,286,898
Purchased power and production.....	-	-	3,463,038	3,463,038
Depreciation.....	176,072	133,104	275,721	584,897
TOTAL OPERATING EXPENSES	808,316	603,137	4,923,380	6,334,833
OPERATING INCOME (LOSS).....	120,819	(191,092)	531,963	461,690
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	-	120,053	120,053
Interest expense.....	(56,646)	(28,319)	-	(84,965)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(56,646)	(28,319)	120,053	35,088
INCOME (LOSS) BEFORE TRANSFERS.....	64,173	(219,411)	652,016	496,778
TRANSFERS:				
Transfers out.....	-	(17,219)	(35,000)	(52,219)
CHANGE IN NET POSITION.....	64,173	(236,630)	617,016	444,559
NET POSITION AT BEGINNING OF YEAR, as revised.....	3,763,677	2,407,247	8,622,388	14,793,312
NET POSITION AT END OF YEAR.....	\$ 3,827,850	\$ 2,170,617	\$ 9,239,404	\$ 15,237,871

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2015	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 877,166	\$ 534,070	\$ 5,503,283	\$ 6,914,519
Payments to vendors.....	(286,186)	(314,933)	(3,887,324)	(4,488,443)
Payments to employees.....	(324,025)	(134,588)	(690,869)	(1,149,482)
NET CASH FROM OPERATING ACTIVITIES.....	266,955	84,549	925,090	1,276,594
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	-	(17,219)	(35,000)	(52,219)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	1,500,000	-	-	1,500,000
Acquisition and construction of capital assets.....	-	-	(378,352)	(378,352)
Principal payments on bonds and notes.....	(115,000)	(75,000)	-	(190,000)
Interest expense.....	(57,700)	(30,175)	-	(87,875)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	1,327,300	(105,175)	(378,352)	843,773
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	-	(275,347)	(275,347)
Investment income.....	-	-	120,053	120,053
NET CASH FROM INVESTING ACTIVITIES.....	-	-	(155,294)	(155,294)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,594,255	(37,845)	356,444	1,912,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	305,933	372,884	617,956	1,296,773
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,900,188	\$ 335,039	\$ 974,400	\$ 3,209,627
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>				
<u>FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 120,819	\$ (191,092)	\$ 531,963	\$ 461,690
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	176,072	133,104	275,721	584,897
Deferred outflows/(inflows) related to pensions.....	(14,234)	(6,377)	6,745	(13,866)
Changes in assets and liabilities:				
User fees.....	(51,969)	47,505	47,908	43,444
Special assessments.....	-	74,520	-	74,520
Prepaid expenses.....	-	-	(8,403)	(8,403)
Warrants payable.....	(429)	(3,219)	80,567	76,919
Accrued liabilities.....	-	-	(40,437)	(40,437)
Accrued payroll.....	(5,549)	(2,536)	-	(8,085)
Customer deposits.....	-	-	32	32
Compensated absences.....	2,500	500	-	3,000
Other postemployment benefits.....	7,719	7,719	29,111	44,549
Net pension liability.....	32,026	24,425	1,883	58,334
Total adjustments.....	146,136	275,641	393,127	814,904
NET CASH FROM OPERATING ACTIVITIES.....	\$ 266,955	\$ 84,549	\$ 925,090	\$ 1,276,594

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 125	\$ 304,216	\$ 700,289
Investments.....	9,488	-	-
TOTAL ASSETS	<u>9,613</u>	<u>304,216</u>	<u>700,289</u>
LIABILITIES			
Liabilities due depositors.....	-	-	<u>700,289</u>
NET POSITION			
Held in trust for OPEB benefits and other purposes.....	<u>\$ 9,613</u>	<u>\$ 304,216</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer.....	\$ 10,000	\$ -
Net investment income:		
Net change in fair value of investments.....	(387)	-
Interest.....	-	9,525
<u>DEDUCTIONS:</u>		
Administration.....	-	22,954
CHANGE IN NET POSITION.....	9,613	(13,429)
NET POSITION AT BEGINNING OF YEAR.....	-	317,645
NET POSITION AT END OF YEAR.....	\$ 9,613	\$ 304,216

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 2016 assessment was \$8,500,079.

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 2016 assessment was \$933,176.

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 *fire ladder truck fund* is a capital project fund used to account for the purchase and corresponding financing of a ladder truck by the fire department.

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 *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

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. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

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

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer

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

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

Intergovernmental

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

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

G. 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.

H. 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.

I. 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.

J. 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.

K. 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 reported deferred outflows of resources related to pensions 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.

L. 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.

M. 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.

N. 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.

O. 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.

P. 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.

Q. 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.

R. 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.

S. Individual Fund Deficits

An individual fund deficit exists at June 30, 2016 in the Town Capital Project fund. This deficit will be funded with bond proceeds in future years.

T. 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.

U. 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 \$10,193,688 and the bank balance totaled \$10,299,982. Of the bank balance, \$3,507,430 was covered by Federal Depository Insurance, \$3,273,136 was covered by the Depositors Insurance Fund, and \$3,519,416 was uninsured and uncollateralized.

For disclosure purposes, there were no significant differences in amounts or classifications of the Municipal Light Department's balances at June 30, 2016 as compared with the December 31, 2015 amounts presented above.

Investments

As of June 30, 2016, the Town had the following investments:

Investment Type	Fair Value	Maturities		Rating
		2-5 Years	> 5 Years	
<u>Debt Securities:</u>				
Municipal Bonds and Government Securities.....	\$ 2,202,933	\$ 320,740	\$ 1,882,193	AAA-A
<u>Other Investments:</u>				
Equities Securities.....	1,064,291			
MMDT.....	1,597,774			
Mutual Funds.....	326,962			
Money Market Mutual Funds.....	11,062			
Total Investments.....	\$ 5,203,022			

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$2,202,933 of municipal bonds and government securities; and \$1,064,291 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.

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
<u>Debt Securities:</u>				
Municipal Bonds and Government Securities.....	\$ 2,202,933	\$ 564,507	\$ 1,638,426	\$ -
<u>Other investments:</u>				
Equities Securities.....	1,064,291	1,064,291	-	-
Mutual Funds.....	326,962	326,962	-	-
Money Market Mutual Funds.....	11,062	11,062	-	-
Total investments measured at fair value.....	3,605,248	\$ 1,966,822	\$ 1,638,426	\$ -
Investments measured at amortized cost:				
MMDT.....	1,597,774			
Total investments.....	\$ 5,203,022			

U.S. government treasuries, equity securities, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 3 – RECEIVABLES

At June 30, 2016, 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.....	\$ 90,309	\$ -	\$ 90,309
Tax liens.....	459,704	-	459,704
Motor vehicle excise taxes.....	72,259	(17,000)	55,259
Intergovernmental.....	432,429	-	432,429
Total.....	<u>\$ 1,054,701</u>	<u>\$ (17,000)</u>	<u>\$ 1,037,701</u>

At June 30, 2016 (December 31, 2015 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.....	\$ 534,323	\$ -	\$ 534,323
Sewer fees.....	265,003	-	265,003
Sewer special assessments.....	153,901	-	153,901
Electric light fees.....	597,719	-	597,719
Total.....	<u>\$ 1,550,946</u>	<u>\$ -</u>	<u>\$ 1,550,946</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	Governmental Funds	Total
<u>Receivable and other asset types:</u>				
Real estate and other taxes.....	\$ 63,653	\$ 6,812	\$ -	\$ 70,465
Tax liens.....	459,705	-	-	459,705
Motor vehicle excise taxes.....	54,131	-	-	54,131
Intergovernmental.....	-	134,695	210,475	345,170
Tax foreclosures.....	58,468	-	-	58,468
Total.....	<u>\$ 635,957</u>	<u>\$ 141,507</u>	<u>\$ 210,475</u>	<u>\$ 987,939</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,796,039	\$ -	\$ -	\$ 9,796,039
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,287,465	-	-	1,287,465
Buildings and building improvements.....	8,301,534	-	-	8,301,534
Machinery and equipment.....	1,854,289	284,491	-	2,138,780
Vehicles.....	2,309,608	27,159	-	2,336,767
Infrastructure.....	22,446,203	359,768	-	22,805,971
Total capital assets being depreciated.....	36,199,099	671,418	-	36,870,517
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(417,480)	(36,682)	-	(454,162)
Buildings and building improvements.....	(5,752,590)	(185,926)	-	(5,938,516)
Machinery and equipment.....	(1,334,438)	(118,152)	-	(1,452,590)
Vehicles.....	(1,598,936)	(123,250)	-	(1,722,186)
Infrastructure.....	(8,740,924)	(534,035)	-	(9,274,959)
Total accumulated depreciation.....	(17,844,368)	(998,045)	-	(18,842,413)
Total capital assets being depreciated, net.....	18,354,731	(326,627)	-	18,028,104
Total governmental activities capital assets, net.....	\$ 28,150,770	\$ (326,627)	\$ -	\$ 27,824,143
Business-Type Activities				
	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 478,753	\$ -	\$ -	\$ 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.....	7,102,909	-	-	7,102,909
Total capital assets being depreciated.....	7,474,729	-	-	7,474,729
<u>Less accumulated depreciation for:</u>				
Buildings.....	(30,090)	(784)	-	(30,874)
Machinery and equipment.....	(198,736)	(26,377)	-	(225,113)
Vehicles.....	(24,307)	-	-	(24,307)
Infrastructure.....	(2,117,002)	(148,911)	-	(2,265,913)
Total accumulated depreciation.....	(2,370,135)	(176,072)	-	(2,546,207)
Total capital assets being depreciated, net.....	5,104,594	(176,072)	-	4,928,522
Total water enterprise capital assets, net.....	\$ 5,583,347	\$ (176,072)	\$ -	\$ 5,407,275

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 255,004	\$ -	\$ -	\$ 255,004
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	19,450	-	-	19,450
Infrastructure.....	5,405,987	-	-	5,405,987
Total capital assets being depreciated.....	5,425,437	-	-	5,425,437
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(10,698)	(1,945)	-	(12,643)
Infrastructure.....	(2,927,902)	(131,159)	-	(3,059,061)
Total accumulated depreciation.....	(2,938,600)	(133,104)	-	(3,071,704)
Total capital assets being depreciated, net.....	2,486,837	(133,104)	-	2,353,733
Total sewer enterprise capital assets, net.....	\$ 2,741,841	\$ (133,104)	\$ -	\$ 2,608,737

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Light:				
<u>Capital assets not being depreciated:</u>				
Land and land improvements.....	\$ 454,200	\$ -	\$ -	\$ 454,200
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	983,631	43,995	-	1,027,626
Equipment.....	1,126,937	9,541	-	1,136,478
Infrastructure.....	6,753,032	324,816	-	7,077,848
Total capital assets being depreciated.....	8,863,600	378,352	-	9,241,952
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(122,538)	(20,553)	-	(143,091)
Equipment.....	(681,014)	(58,788)	-	(739,802)
Infrastructure.....	(2,723,964)	(196,380)	-	(2,920,344)
Total accumulated depreciation.....	(3,527,516)	(275,721)	-	(3,803,237)
Total electric light capital assets, net.....	5,336,084	102,631	-	5,438,715
Total capital assets being depreciated, net.....	\$ 5,790,284	\$ 102,631	\$ -	\$ 5,892,915

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

Governmental Activities:	
General government.....	\$ 68,123
Public safety.....	143,133
Education.....	327,369
Public works.....	393,267
Human services.....	142
Culture and recreation.....	<u>66,011</u>
Total depreciation expense - governmental activities.....	\$ <u>998,045</u>
Business-Type Activities:	
Water.....	\$ 176,072
Sewer.....	133,104
Electric light.....	<u>275,721</u>
Total depreciation expense - business-type activities.....	\$ <u>584,897</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year end June 30, 2016, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 96,659	\$ 96,659 (1)
Sewer Enterprise Fund.....	17,219	-	17,219 (2)
Electric Light Enterprise Fund.....	<u>35,000</u>	<u>-</u>	<u>35,000 (3)</u>
Total.....	\$ <u>52,219</u>	\$ <u>96,659</u>	\$ <u>148,878</u>

- (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 sewer enterprise fund.
- (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.

		<u>Governmental Activities</u>
<u>Asset:</u>		
Machinery and equipment.....	\$ 300,401	
Less: accumulated depreciation.....	(151,046)	
Total.....	\$ <u>149,355</u>	

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

	<u>Years Ending June 30,</u>		<u>Governmental Activities</u>
2017.....		\$ 23,496	
2018.....		<u>90,455</u>	
Total minimum lease payments.....		113,951	
Less: amounts representing interest.....		<u>(7,160)</u>	
Present value of minimum lease payments.....		\$ <u>106,791</u>	

NOTE 7 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. The Town had the following short-term debt activity for the year ending June 30, 2016:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2016</u>
Governmental Funds							
BAN	Bond anticipation note.....	1.20%	06/17/17	\$ -	\$ <u>910,000</u>	\$ -	\$ <u>910,000</u>
Water Enterprise Funds							
BAN	Bond anticipation note.....	1.20%	06/17/17	\$ -	\$ <u>1,500,000</u>	\$ -	\$ <u>1,500,000</u>

NOTE 8 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2016, 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, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Land acquisition.....	2035	\$ 3,675,000	2-4%	\$ 3,675,000	\$ -	\$ 185,000	\$ 3,490,000
Unamortized premium.....				156,754	-	15,175	141,579
Total governmental bonds payable.....				\$ 3,831,754	\$ -	\$ 200,175	\$ 3,631,579

Debt service requirements for principal and interest for the Governmental Funds bonds payable are as follows:

Year	Principal	Interest	Total
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.....	\$ 3,490,000	\$ 1,107,550	\$ 4,597,550

Bonds Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Water well.....	2032	120,000	2-3%	\$ 105,000	\$ -	\$ 5,000	\$ 100,000
Water storage tank & mains.....	2032	925,000	2-3%	815,000	-	40,000	775,000
Water storage tank & mains II.....	2032	700,000	2-3%	615,000	-	30,000	585,000
Water 1.....	2032	262,000	2-3%	185,000	-	25,000	160,000
Water 2.....	2032	338,000	2-3%	295,000	-	15,000	280,000
Total Water enterprise debt.....				\$ 2,015,000	\$ -	\$ 115,000	\$ 1,900,000

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

Year	Principal	Interest	Total
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	\$ 1,900,000	\$ 491,100	\$ 2,391,100

Bonds Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Sewer.....	2019	\$ 357,000	4.70%	\$ 140,000	\$ -	\$ 35,000	\$ 105,000
Sewer.....	2032	146,000	2-3%	130,000	-	5,000	125,000
Sewer pump station repairs.....	2032	625,000	2-3%	550,000	-	25,000	525,000
Sewer.....	2035	140,000	2-4%	140,000	-	10,000	130,000
Total Sewer enterprise debt.....				\$ 960,000	\$ -	\$ 75,000	\$ 885,000

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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.....	\$ <u>885,000</u>	\$ <u>222,584</u>	\$ <u>1,107,584</u>

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, 2016, the Town had the following authorized and unissued debt outstanding:

<u>Purpose</u>	<u>Amount</u>
Communication Console.....	\$ 160,000
Water Mains - Main Street.....	1,500,000
Ariel/Ladder Truck (Exempt).....	<u>750,000</u>
Total.....	\$ <u>2,410,000</u>

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Governmental Activities:					
Long-term bonds.....	\$ 3,675,000	\$ -	\$ (185,000)	\$ 3,490,000	\$ 185,000
Unamortized premium.....	156,754	-	(15,175)	141,579	14,830
Bonds payable, net.....	3,831,754	-	(200,175)	3,631,579	199,830
Capital lease obligations.....	155,902	-	(49,111)	106,791	19,555
Compensated absences.....	167,900	35,975	(41,975)	161,900	40,475
Other postemployment benefits.....	986,193	320,040	(107,908)	1,198,325	-
Net pension liability.....	5,661,560	598,580	(449,033)	5,811,107	-
Capital assessment payable.....	6,727,811	-	(261,695)	6,466,116	-
Total governmental activity long-term liabilities.....	\$ <u>17,531,120</u>	\$ <u>954,595</u>	\$ <u>(1,109,897)</u>	\$ <u>17,375,818</u>	\$ <u>259,860</u>
Business-Type Activities:					
Long-term bonds.....	\$ 2,975,000	\$ -	\$ (190,000)	\$ 2,785,000	\$ 190,000
Compensated absences.....	19,500	7,825	(4,825)	22,500	5,625
Net pension liability.....	2,243,151	233,766	(175,432)	2,301,485	-
Other postemployment benefits.....	325,427	103,652	(59,103)	369,976	-
Total business-type activity long-term liabilities.....	\$ <u>5,563,078</u>	\$ <u>345,243</u>	\$ <u>(429,360)</u>	\$ <u>5,478,961</u>	\$ <u>195,625</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. The capital assessment due as of June 30, 2016, based on expenditures incurred to date is \$6.5 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 \$555,000 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>Fire Ladder Truck</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances					
Nonspendable:					
Permanent fund principal..... \$	-	-	-	405,418	405,418
Restricted for:					
Community preservation fund.....	-	2,246,539	-	-	2,246,539
Fire ladder truck.....	-	-	18,411	-	18,411
Town grant funds.....	-	-	-	293,921	293,921
Receipts reserved for appropriations.....	-	-	-	115,573	115,573
Special revenue trust funds.....	-	-	-	140,520	140,520
Town revolving funds.....	-	-	-	133,699	133,699
Town donation fund.....	-	-	-	114,640	114,640
Other special revenue funds.....	-	-	-	742,911	742,911
Assigned for carryover encumbrances to:					
General government.....	8,070	-	-	-	8,070
Public safety.....	1,072	-	-	-	1,072
Unassigned.....	<u>2,865,437</u>	-	-	<u>(125,266)</u>	<u>2,740,171</u>
Total Fund Balances..... \$	<u><u>2,874,579</u></u>	<u><u>2,246,539</u></u>	<u><u>18,411</u></u>	<u><u>1,821,416</u></u>	<u><u>6,960,945</u></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, 2015 which was \$639,922, and 24.02% 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, 2016, the Town reported a liability of \$8,112,592 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, 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, 2015, the Town's proportion was 2.279%, which decreased by .052% from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense of \$654,393. At June 30, 2016, the Town reported net deferred outflows/inflows of resources related to pensions of \$150,640, from the net difference between projected and actual investment earnings on pension plan investments and from changes in the proportionate share of contributions. 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, 2015.

The balances of deferred outflows and inflows at June 30, 2016 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Net difference between projected and actual investment earnings on pension plan investments.....\$	347,198	\$ (6,745)	\$ 340,453
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	(189,813)	(189,813)
Total deferred outflows/(inflows) of resources.....\$	347,198	\$ (196,558)	\$ 150,640

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

Year ended June 30:	
2016.....	\$ 37,660
2017.....	37,660
2018.....	37,660
2019.....	<u>37,660</u>
 Total.....	 \$ <u>150,640</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, 2015:

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%
		<u>100.00%</u>

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.04%. 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.....	\$ 10,172,136	\$	8,112,592	\$	6,820,224

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 2016, the Town contributed \$167,011 towards these benefits, including a pre-funding contribution of \$10,000 made by the Municipal Light Department to the OPEB Trust Fund.

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.....	\$	442,878
Interest on net OPEB obligation.....		52,464
Adjustments to annual required contribution.....		<u>(71,649)</u>
Annual OPEB cost/expense.....		423,693
Contributions made.....		<u>(167,011)</u>
Increase in net OPEB obligation.....		256,682
Net OPEB obligation - beginning of year.....		<u>1,311,619</u>
Net OPEB obligation - end of year.....	\$	<u><u>1,568,301</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the previous two years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 423,693	39.4%	\$ 1,568,301
6/30/2015	404,656	37.9%	1,311,619
6/30/2014	322,672	26.8%	1,060,378

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2013	\$ -	\$ 3,965,043	\$ 3,965,043	0%	\$ N/A	N/A
7/1/2010	-	3,769,044	3,769,044	0%	N/A	N/A
7/1/2007	-	4,970,436	4,970,436	0%	2,573,184	193.2%

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

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

In the July 1, 2013 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8% initially, graded to 5% over 5 years. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.0% per year. The remaining amortization period at June 30, 2016, is 22 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2016, 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2017, which is the date the financial statements were available to be issued.

NOTE 16 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the Groveland Municipal Light Department enterprise fund has been revised to reflect the implementation of GASB Statement #68. The revised balances are summarized in the following table:

	12/31/2014 Previously Reported Balances	Implementation of GASB #68	12/31/2014 Revised Balances
Proprietary Fund Financial Statements			
Electric Light.....	\$ 10,186,346	\$ (1,563,958)	\$ 8,622,388

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB 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*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- 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 #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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, 2016

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 12,933,859	\$ 12,933,859	\$ 12,933,859	\$ 13,238,291	\$ -	\$ 304,432
Tax liens.....	-	-	-	-	191,577	-	191,577
Motor vehicle excise taxes.....	-	875,000	875,000	875,000	1,002,978	-	127,978
Penalties and interest on taxes.....	-	75,000	75,000	75,000	62,618	-	(12,382)
Payments in lieu of taxes.....	-	15,000	15,000	15,000	-	-	(15,000)
Intergovernmental.....	-	869,154	869,154	869,154	989,645	-	120,491
Departmental and other.....	-	199,000	199,000	199,000	217,324	-	18,324
Investment income.....	-	8,000	8,000	8,000	7,753	-	(247)
TOTAL REVENUES.....	-	14,975,013	14,975,013	14,975,013	15,710,186	-	735,173
EXPENDITURES:							
Current:							
General government.....	35,031	773,263	808,294	819,153	781,937	8,070	29,146
Public safety.....	-	1,634,321	1,634,321	1,646,029	1,622,256	1,072	22,701
Education.....	-	9,553,879	9,553,879	9,606,399	9,606,390	-	9
Public works.....	32,953	1,253,206	1,286,159	1,287,592	1,211,768	-	75,824
Human services.....	-	263,945	263,945	243,425	213,188	-	30,237
Culture and recreation.....	-	234,595	234,595	230,595	197,083	-	33,512
Pension benefits.....	-	420,578	420,578	429,178	429,177	-	1
Property and liability insurance.....	-	125,000	125,000	109,400	106,628	-	2,772
Employee benefits.....	-	418,500	418,500	381,500	338,922	-	42,578
State and county charges.....	-	80,692	80,692	80,692	80,692	-	-
Debt service:							
Principal.....	-	185,000	185,000	185,000	185,000	-	-
Interest.....	-	165,375	165,375	165,375	119,215	-	46,160
TOTAL EXPENDITURES.....	67,984	15,108,354	15,176,338	15,184,338	14,892,256	9,142	282,940
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(67,984)	(133,341)	(201,325)	(209,325)	817,930	(9,142)	1,018,113
OTHER FINANCING SOURCES (USES):							
Premium from issuance of bonds and notes.....	-	-	-	-	7,471	-	7,471
Use of fund balance for prior year carryforwards.....	-	-	67,984	67,984	-	-	(67,984)
Budgeted use of reserves.....	-	382,800	382,800	382,800	-	-	(382,800)
Transfers in.....	-	35,000	35,000	43,000	52,219	-	9,219
Transfers out.....	-	(284,459)	(284,459)	(284,459)	(284,459)	-	-
TOTAL OTHER FINANCING SOURCES (USES)...	-	133,341	201,325	209,325	(224,769)	-	(434,094)
NET CHANGE IN FUND BALANCE.....	(67,984)	-	-	-	593,161	(9,142)	584,019
BUDGETARY FUND BALANCE, Beginning of year.....	1,517,976	1,517,976	1,517,976	1,517,976	1,517,976	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,449,992	\$ 1,517,976	\$ 1,517,976	\$ 1,517,976	\$ 2,111,137	\$ (9,142)	\$ 584,019

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	December 31, 2015
Town's proportion of the net pension liability (asset).....	2.331%	2.279%
Town's proportionate share of the net pension liability (asset)..... \$	6,340,753	\$ 8,112,592
Town's covered employee payroll..... \$	2,557,548	\$ 2,663,576
Net pension liability as a percentage of covered-employee payroll.....	247.92%	304.58%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%	51.01%

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	December 31, 2015
Actuarially determined contribution.....	\$ 598,799	\$ 639,922
Contributions in relation to the actuarially determined contribution.....	<u>598,799</u>	<u>639,922</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 2,557,548	\$ 2,663,576
Contributions as a percentage of covered- employee payroll.....	23.41%	24.02%

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 Benefit 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, 2016

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
2016	\$ 442,878	\$ 167,011	37.7%
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, 2016

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, 2015
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 2016 approved budget authorized \$15.4 million in appropriations and other amounts to be raised, along with \$68,000 of prior year carryforwards. There was a net increase of \$8,000 from the original budget to the final budget.

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, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$	593,161
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		190,738
<u>Basis of accounting differences:</u>		
Net change in revenues in recording 60 day receipts.....		<u>(22,310)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>761,589</u></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

The principal actuarial assumptions used in this valuation are the same as the prior valuation except for the following change:

Amounts reported in the January 1, 2014 actuarial valuation reflect an adjustment of the mortality assumptions which are based upon the RP-2000 (sex distinct) Employee Mortality Table increased with generational mortality and Scale BB. The previous actuarial valuation, January 1, 2013, used an 18 year projection with Scale AA.

D. Changes of Plan Provisions

None

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***



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2016, 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 April 27, 2017. Our report includes a reference to another auditor who audited the financial statements of the Groveland Municipal Light Department as of December 31, 2015, 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

April 27, 2017