

TOWN OF GROVELAND, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2018

TOWN OF GROVELAND, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2018, 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, 2017, which is both a major fund and 55%, 67%, and 81%, 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, 2018 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019 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

March 25, 2019

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, 2018. 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 outflows/inflows 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, health and 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 and community preservation 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 fund, 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 assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.1 million for both governmental activities and business-type activities at the close of the most recent year. Key components of the Town's activities are presented on the following page.

Governmental Activities

	2018	2017 (As Revised)
Assets:		
Current assets..... \$	8,235,522	\$ 8,006,314
Capital assets, non depreciable.....	9,796,039	9,796,039
Capital assets, net of accumulated depreciation.....	17,612,214	18,153,998
Total assets.....	35,643,775	35,956,351
Deferred outflows of resources.....	572,262	503,552
Liabilities:		
Current liabilities (excluding debt).....	246,607	176,661
Noncurrent liabilities (excluding debt).....	10,132,002	10,683,930
Current debt.....	587,326	571,268
Noncurrent debt.....	9,303,420	10,046,223
Total liabilities.....	20,269,355	21,478,082
Deferred inflows of resources.....	893,017	469,665
Net position:		
Net investment in capital assets.....	17,517,507	17,332,546
Restricted.....	3,605,334	3,450,083
Unrestricted.....	(6,069,176)	(6,270,473)
Total net position..... \$	15,053,665	\$ 14,512,156

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, \$3.6 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 \$6.1 million. The primary reason for this deficit balance is the recognition of the \$4.5 million net OPEB liability and the \$5.5 million net pension liability.

Governmental activities increased the Town's net position by \$542,000 during 2018 as compared to a decrease of \$756,000 in 2017. Overall, expenses decreased 2.6% from the prior year while revenues increased by 4.5%.

	2018	2017 (As Revised)
Program Revenues:		
Charges for services.....	\$ 809,392	\$ 620,229
Operating grants and contributions.....	436,584	316,701
Capital grants and contributions.....	177,354	361,647
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	13,796,550	13,434,812
Motor vehicle and other excise taxes.....	1,100,786	1,006,597
Community preservation tax.....	509,174	395,500
Grants and contributions not restricted to specific programs.....	1,010,856	930,908
Unrestricted investment income.....	36,679	33,320
Total revenues.....	17,877,375	17,099,714
Expenses:		
General government.....	1,359,401	1,733,917
Public safety.....	2,481,416	2,757,317
Education.....	10,280,801	10,152,861
Public works.....	1,965,549	1,948,144
Community development.....	235,816	242,309
Health and human services.....	348,704	292,747
Culture and recreation.....	575,059	608,045
Interest.....	121,120	95,773
Total expenses.....	17,367,866	17,831,113
Excess (Deficiency) before transfers.....	509,509	(731,399)
Transfers.....	32,000	(24,508)
Change in net position.....	541,509	(755,907)
Net position, beginning of year (as revised).....	14,512,156	15,268,063
Net position, end of year.....	\$ 15,053,665	\$ 14,512,156

Beginning net position of the governmental and business-type activities has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported governmental net position of \$17.8 million has been revised and totals \$14.5 million and previously reported business-type net position of \$15.9 million has been revised and totals \$15.5 million (See Note 14).

Business-type Activities

The Town's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.1 million at year end, a decrease of \$369,000 from the prior year. The water, sewer, and electric light department's change in net position each amounted to (\$459,000), (\$229,000), and \$319,000, respectively, during 2018.

Water Activities

Water business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.2 million at the close of 2018. Net investment in capital assets was \$3.5 million and unrestricted net position had a deficit balance of (\$341,000). Net position decreased during 2018 by \$461,000 compared to an increase of \$103,000 in the prior year.

	2018	2017 (As Revised)
Assets:		
Current assets..... \$	843,234	\$ 1,765,427
Capital assets, non depreciable.....	1,975,241	1,250,929
Capital assets, net of accumulated depreciation.....	4,623,412	4,811,691
Total assets.....	7,441,887	7,828,047
Deferred outflows of resources.....	69,306	43,935
Liabilities:		
Current liabilities (excluding debt).....	128,366	35,410
Noncurrent liabilities (excluding debt).....	1,031,887	886,253
Current debt.....	190,000	190,325
Noncurrent debt.....	2,875,000	3,065,000
Total liabilities.....	4,225,253	4,176,988
Deferred inflows of resources.....	93,130	40,978
Net position:		
Net investment in capital assets.....	3,533,653	3,563,069
Unrestricted.....	(340,843)	90,947
Total net position..... \$	3,192,810	\$ 3,654,016
Program Revenues:		
Charges for services..... \$	896,866	\$ 1,015,603
Expenses:		
Water.....	1,358,072	912,726
Change in net position.....	(461,206)	102,877
Net position, beginning of year (as revised).....	3,654,016	3,551,139
Net position, end of year..... \$	3,192,810	\$ 3,654,016

Sewer Activities

Sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.8 million at the close of 2018. Net investment in capital assets was \$1.6 million and unrestricted net position was \$182,000. Net position decreased during 2018 by \$227,000 compared to a decrease of \$56,000 in the prior year.

	<u>2018</u>	<u>2017</u> (As Revised)
Assets:		
Current assets.....	\$ 540,836	\$ 712,528
Noncurrent assets (excluding capital).....	181,881	68,025
Capital assets, non depreciable.....	255,004	255,004
Capital assets, net of accumulated depreciation.....	<u>2,087,523</u>	<u>2,220,628</u>
Total assets.....	<u>3,065,244</u>	<u>3,256,185</u>
Deferred outflows of resources.....	<u>34,660</u>	<u>19,814</u>
Liabilities:		
Current liabilities (excluding debt).....	15,518	14,850
Noncurrent liabilities (excluding debt).....	511,031	415,489
Current debt.....	80,000	75,000
Noncurrent debt.....	<u>655,000</u>	<u>735,000</u>
Total liabilities.....	<u>1,261,549</u>	<u>1,240,339</u>
Deferred inflows of resources.....	<u>48,381</u>	<u>18,481</u>
Net position:		
Net investment in capital assets.....	1,607,527	1,706,941
Unrestricted.....	<u>182,447</u>	<u>310,238</u>
Total net position.....	<u>\$ 1,789,974</u>	<u>\$ 2,017,179</u>
Program Revenues:		
Charges for services.....	\$ 489,610	\$ 446,465
Expenses:		
Sewer.....	<u>719,815</u>	<u>562,274</u>
Excess (Deficiency) before transfers.....	(230,205)	(115,809)
Transfers.....	<u>3,000</u>	<u>59,508</u>
Change in net position.....	(227,205)	(56,301)
Net position, beginning of year (as revised).....	<u>2,017,179</u>	<u>2,073,480</u>
Net position, end of year.....	<u>\$ 1,789,974</u>	<u>\$ 2,017,179</u>

Electric Activities

Electric business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10.1 million at the close of calendar year 2017. Net investment in capital assets was \$7.6 million and unrestricted net position was \$2.6 million. Net position increased during calendar year 2017 by \$319,000 compared to an increase of \$589,000 in the prior year.

	December 31, 2017	December 31, 2016
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 5,818,050	\$ 5,432,255
Capital assets, non depreciable.....	454,200	454,200
Capital assets, net of accumulated depreciation.....	<u>7,137,464</u>	<u>6,426,912</u>
Total assets.....	<u>13,409,714</u>	<u>12,313,367</u>
Deferred outflows of resources.....	<u>73,931</u>	<u>150,347</u>
Liabilities:		
Current liabilities (excluding debt).....	1,112,423	407,127
Noncurrent liabilities (excluding debt).....	<u>2,159,832</u>	<u>2,087,826</u>
Total liabilities.....	<u>3,272,255</u>	<u>2,494,953</u>
Deferred inflows of resources.....	<u>63,814</u>	<u>140,230</u>
Net position:		
Net investment in capital assets.....	7,591,664	6,881,112
Unrestricted.....	<u>2,555,912</u>	<u>2,947,419</u>
Total net position.....	<u>\$ 10,147,576</u>	<u>\$ 9,828,531</u>
Program Revenues:		
Charges for services.....	\$ 5,923,888	\$ 5,519,328
General Revenues:		
Unrestricted investment income.....	<u>213,463</u>	<u>179,527</u>
Total revenues.....	<u>6,137,351</u>	<u>5,698,855</u>
Expenses:		
Electric Light.....	<u>5,783,306</u>	<u>5,074,728</u>
Excess (Deficiency) before transfers.....	354,045	624,127
Transfers.....	<u>(35,000)</u>	<u>(35,000)</u>
Change in net position.....	319,045	589,127
Net position, beginning of year.....	<u>9,828,531</u>	<u>9,239,404</u>
Net position, end of year.....	<u>\$ 10,147,576</u>	<u>\$ 9,828,531</u>

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 \$7.2 million, an increase of \$408,000 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 \$2.5 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 15% of total general fund expenditures.

The general fund decreased by \$170,000 during 2018, which was primarily due to the planned use of reserves to fund appropriations.

Community Preservation Major Fund

The Community Preservation fund had an ending fund balance at June 30, 2018 of \$2.8 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. Revenues exceeded expenditures by \$359,000 during the current year.

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 2018 approved budget authorized \$16.8 million in appropriations and other amounts to be raised, along with \$17,000 of prior year carryforwards

Actual revenues exceeded budgeted amounts by \$224,000 and actual expenditures (including carryovers) exceeded budgeted amounts by \$1,748 mainly due to an \$88,000 over-expenditure of the employee benefit line item as a result of greater than expected health insurance costs.

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 2018 the Town expended \$483,000 on governmental activities capital assets mainly consisting of various infrastructure purchases. The business-type activities expended approximately \$1.7 million consisting mainly of additions to the electric plant as well as water mains.

Outstanding long-term debt of governmental activities, as of June 30, 2018, totaled \$3.9 million. The decrease over the prior year is attributable to scheduled principal payments.

Outstanding long-term debt of the business type activities, as of June 30, 2018, totaled \$3.8 million, of which \$735,000 relates to sewer projects and \$3.1 million relates to water projects. The decrease over the prior year is attributable to scheduled principal payments.

The Town has also recorded a liability of \$5.7 million in capital assessments payable to Pentucket Regional School District associated with the construction and renovation of the Bagnell School.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2018

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 6,384,482	\$ 985,960	\$ 7,370,442
Restricted cash and cash equivalents.....	-	85,996	85,996
Investments.....	768,617	3,946,105	4,714,722
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	46,780	-	46,780
Tax liens.....	550,467	-	550,467
Motor vehicle and other excise taxes.....	61,281	-	61,281
User charges.....	-	1,379,662	1,379,662
Intergovernmental.....	423,895	-	423,895
Special assessments.....	-	17,777	17,777
Inventory.....	-	11,561	11,561
Prepaid expenses.....	-	775,059	775,059
Total current assets.....	8,235,522	7,202,120	15,437,642
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	181,881	181,881
Capital assets, nondepreciable.....	9,796,039	2,684,445	12,480,484
Capital assets, net of accumulated depreciation.....	17,612,214	13,848,399	31,460,613
Total noncurrent assets.....	27,408,253	16,714,725	44,122,978
TOTAL ASSETS.....	35,643,775	23,916,845	59,560,620
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	571,027	177,755	748,782
Deferred outflows related to OPEB.....	1,235	142	1,377
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	572,262	177,897	750,159
LIABILITIES			
CURRENT:			
Warrants payable.....	137,059	1,107,619	1,244,678
Accrued payroll.....	67,801	7,802	75,603
Accrued interest.....	5,282	33,679	38,961
Customer deposits payable.....	-	101,307	101,307
Other liabilities.....	3,990	-	3,990
Capital assessment payable.....	277,838	-	277,838
Capital lease obligations.....	31,077	-	31,077
Compensated absences.....	32,475	5,900	38,375
Bonds payable.....	278,411	270,000	548,411
Total current liabilities.....	833,933	1,526,307	2,360,240
NONCURRENT:			
Capital assessment payable.....	5,436,861	-	5,436,861
Capital lease obligations.....	102,578	-	102,578
Compensated absences.....	97,425	17,700	115,125
Net pension liability.....	5,522,364	2,748,516	8,270,880
Net OPEB liability.....	4,512,213	521,152	5,033,365
Other postemployment benefits liability - Electric Light.....	-	415,382	415,382
Bonds payable.....	3,763,981	3,530,000	7,293,981
Total noncurrent liabilities.....	19,435,422	7,232,750	26,668,172
TOTAL LIABILITIES.....	20,269,355	8,759,057	29,028,412
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	578,551	169,005	747,556
Deferred inflows related to OPEB.....	314,466	36,320	350,786
TOTAL DEFERRED INFLOWS OF RESOURCES.....	893,017	205,325	1,098,342
NET POSITION			
Net investment in capital assets.....	17,517,507	12,732,844	30,250,351
Restricted for:			
Permanent funds:			
Nonexpendable.....	415,418	-	415,418
Gifts and grants.....	251,515	-	251,515
Community preservation.....	2,938,401	-	2,938,401
Unrestricted.....	(6,069,176)	2,397,516	(3,671,660)
TOTAL NET POSITION.....	\$ 15,053,665	\$ 15,130,360	\$ 30,184,025

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,359,401	\$ 571,119	\$ 204,070	\$ 49,303	\$ (534,909)
Public safety.....	2,481,416	189,023	42,419	-	(2,249,974)
Education.....	10,280,801	-	-	-	(10,280,801)
Public works.....	1,965,549	31,200	5,203	1,374	(1,927,772)
Community development.....	235,816	-	-	126,677	(109,139)
Health and human services.....	348,704	18,050	18,530	-	(312,124)
Culture and recreation.....	575,059	-	166,362	-	(408,697)
Interest.....	121,120	-	-	-	(121,120)
Total Governmental Activities.....	17,367,866	809,392	436,584	177,354	(15,944,536)
<i>Business-Type Activities:</i>					
Water.....	1,358,072	896,866	-	-	(461,206)
Sewer.....	719,815	489,610	-	-	(230,205)
Electric Light.....	5,783,306	5,923,888	-	-	140,582
Total Business-Type Activities.....	7,861,193	7,310,364	-	-	(550,829)
Total Primary Government.....	\$ 25,229,059	\$ 8,119,756	\$ 436,584	\$ 177,354	\$ (16,495,365)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(15,944,536)	(550,829)	(16,495,365)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	13,715,115	-	13,715,115
Tax and other liens.....	81,435	-	81,435
Motor vehicle and other excise taxes.....	1,100,786	-	1,100,786
Community preservation tax.....	509,174	-	509,174
Penalties and interest on taxes.....	70,746	-	70,746
Payments in lieu of taxes.....	23,953	-	23,953
Grants and contributions not restricted to specific programs.....	916,157	-	916,157
Unrestricted investment income.....	36,679	213,463	250,142
<i>Transfers, net</i>	32,000	(32,000)	-
Total general revenues and transfers.....	16,486,045	181,463	16,667,508
Change in net position.....	541,509	(369,366)	172,143
<i>Net position:</i>			
Beginning of year, as revised.....	14,512,156	15,499,726	30,011,882
End of year..... \$	15,053,665	15,130,360	30,184,025

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2018

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 2,193,690	\$ 2,807,878	\$ 1,382,914	\$ 6,384,482
Investments.....	437,636	-	330,981	768,617
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	45,796	984	-	46,780
Tax liens.....	550,467	-	-	550,467
Motor vehicle and other excise taxes.....	61,281	-	-	61,281
Intergovernmental.....	-	138,787	285,108	423,895
TOTAL ASSETS.....	\$ 3,288,870	\$ 2,947,649	\$ 1,999,003	\$ 8,235,522
LIABILITIES				
Warrants payable.....	\$ 45,014	\$ 9,248	\$ 82,797	\$ 137,059
Accrued payroll.....	66,993	-	808	67,801
Other liabilities.....	3,990	-	-	3,990
TOTAL LIABILITIES.....	115,997	9,248	83,605	208,850
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	640,167	139,771	-	779,938
FUND BALANCES				
Nonspendable.....	-	-	415,418	415,418
Restricted.....	-	2,798,630	1,499,980	4,298,610
Assigned.....	10,061	-	-	10,061
Unassigned.....	2,522,645	-	-	2,522,645
TOTAL FUND BALANCES.....	2,532,706	2,798,630	1,915,398	7,246,734
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 3,288,870	\$ 2,947,649	\$ 1,999,003	\$ 8,235,522

See notes to basic financial statements.

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

JUNE 30, 2018

Total governmental fund balances.....		\$ 7,246,734
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		27,408,253
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		779,938
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(320,755)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(5,282)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(4,042,392)	
Net pension liability.....	(5,522,364)	
Net OPEB liability.....	(4,512,213)	
Capital lease obligations.....	(133,655)	
Compensated absences.....	(129,900)	
Capital assessment payable.....	<u>(5,714,699)</u>	
Net effect of reporting long-term liabilities.....		<u>(20,055,223)</u>
Net position of governmental activities.....		<u>\$ 15,053,665</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 13,721,663	\$ -	\$ -	\$ 13,721,663
Tax liens.....	89,687	-	-	89,687
Motor vehicle and other excise taxes.....	1,073,342	-	-	1,073,342
Penalties and interest on taxes.....	70,746	-	-	70,746
Payments in lieu of taxes.....	23,953	-	-	23,953
Intergovernmental.....	916,157	112,490	385,787	1,414,434
Departmental and other.....	419,224	-	606,860	1,026,084
Community preservation taxes.....	-	509,174	-	509,174
Contributions and donations.....	-	-	166,455	166,455
Investment income.....	20,632	16,047	-	36,679
TOTAL REVENUES.....	16,335,404	637,711	1,159,102	18,132,217
EXPENDITURES:				
Current:				
General government.....	790,039	-	321,165	1,111,204
Public safety.....	1,640,365	-	163,660	1,804,025
Education.....	10,443,812	-	-	10,443,812
Public works.....	1,533,056	-	306,419	1,839,475
Community development.....	-	278,752	-	278,752
Health and human services.....	210,817	-	49,704	260,521
Culture and recreation.....	226,517	-	203,358	429,875
Pension benefits.....	458,278	-	-	458,278
Property and liability insurance.....	162,894	-	-	162,894
Employee benefits.....	622,442	-	-	622,442
State and county charges.....	79,033	-	-	79,033
Debt service:				
Principal.....	269,675	-	-	269,675
Interest.....	135,856	-	-	135,856
TOTAL EXPENDITURES.....	16,572,784	278,752	1,044,306	17,895,842
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(237,380)	358,959	114,796	236,375
OTHER FINANCING SOURCES (USES):				
Capital lease financing.....	139,700	-	-	139,700
Transfers in.....	49,750	-	121,602	171,352
Transfers out.....	(121,602)	-	(17,750)	(139,352)
TOTAL OTHER FINANCING SOURCES (USES)...	67,848	-	103,852	171,700
NET CHANGE IN FUND BALANCES.....	(169,532)	358,959	218,648	408,075
FUND BALANCES AT BEGINNING OF YEAR.....	2,702,238	2,439,671	1,696,750	6,838,659
FUND BALANCES AT END OF YEAR.....	\$ 2,532,706	\$ 2,798,630	\$ 1,915,398	\$ 7,246,734

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, 2018

Net change in fund balances - total governmental funds.....	\$	408,075
<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.....		482,578
Depreciation expense.....		<u>(1,024,362)</u>
Net effect of reporting capital assets.....		(541,784)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(254,842)
<p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		93,281
Capital lease financing.....		(139,700)
Amortization of premium on bonds.....		14,357
Capital assessment payments.....		489,132
Debt service principal payments.....		<u>269,675</u>
Net effect of reporting long-term debt.....		726,745
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		22,600
Net change in accrued interest on long-term debt.....		379
Net change in deferred outflow/(inflow) of resources related to pensions.....		(41,411)
Net change in net pension liability.....		320,252
Net change in deferred outflow/(inflow) of resources related to OPEB.....		(313,231)
Net change in net OPEB liability.....		<u>214,726</u>
Net effect of recording long-term liabilities.....		<u>203,315</u>
Change in net position of governmental activities.....	\$	<u><u>541,509</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2017	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 588,337	\$ 397,623	\$ -	\$ 985,960
Restricted cash and cash equivalents.....	-	-	85,996	85,996
Investments.....	-	-	3,946,105	3,946,105
Receivables, net of allowance for uncollectibles:				
User charges.....	254,897	125,436	999,329	1,379,662
Special assessments.....	-	17,777	-	17,777
Inventory.....	-	-	11,561	11,561
Prepaid expenses.....	-	-	775,059	775,059
Total current assets.....	843,234	540,836	5,818,050	7,202,120
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	181,881	-	181,881
Capital assets, non depreciable.....	1,975,241	255,004	454,200	2,684,445
Capital assets, net of accumulated depreciation.....	4,623,412	2,087,523	7,137,464	13,848,399
Total noncurrent assets.....	6,598,653	2,524,408	7,591,664	16,714,725
TOTAL ASSETS.....	7,441,887	3,065,244	13,409,714	23,916,845
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	69,216	34,608	73,931	177,755
Deferred outflows related to OPEB.....	90	52	-	142
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	69,306	34,660	73,931	177,897
LIABILITIES				
CURRENT:				
Warrants payable.....	93,204	3,299	1,011,116	1,107,619
Accrued payroll.....	5,519	2,283	-	7,802
Customer deposits payable.....	-	-	101,307	101,307
Accrued interest.....	24,618	9,061	-	33,679
Compensated absences.....	5,025	875	-	5,900
Bonds payable.....	190,000	80,000	-	270,000
Total current liabilities.....	318,366	95,518	1,112,423	1,526,307
NONCURRENT:				
Compensated absences.....	15,075	2,625	-	17,700
Net pension liability.....	669,377	334,689	1,744,450	2,748,516
Net OPEB liability.....	347,435	173,717	-	521,152
Other postemployment benefits liability.....	-	-	415,382	415,382
Bonds payable.....	2,875,000	655,000	-	3,530,000
Total noncurrent liabilities.....	3,906,887	1,166,031	2,159,832	7,232,750
TOTAL LIABILITIES.....	4,225,253	1,261,549	3,272,255	8,759,057
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	70,127	35,064	63,814	169,005
Deferred inflows related to OPEB.....	23,003	13,317	-	36,320
TOTAL DEFERRED INFLOWS OF RESOURCES.....	93,130	48,381	63,814	205,325
NET POSITION				
Net investment in capital assets.....	3,533,653	1,607,527	7,591,664	12,732,844
Unrestricted.....	(340,843)	182,447	2,555,912	2,397,516
TOTAL NET POSITION.....	\$ 3,192,810	\$ 1,789,974	\$ 10,147,576	\$ 15,130,360

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2017	Total
OPERATING REVENUES:				
Charges for services.....	\$ 896,866	\$ 489,610	\$ 5,503,719	\$ 6,890,195
Other operating revenues.....	-	-	420,169	420,169
TOTAL OPERATING REVENUES	896,866	489,610	5,923,888	7,310,364
OPERATING EXPENSES:				
Cost of services and administration.....	571,288	311,902	587,062	1,470,252
Salaries and wages.....	503,990	251,653	897,548	1,653,191
Purchased power and production.....	-	-	3,998,592	3,998,592
Depreciation.....	188,279	133,105	300,104	621,488
TOTAL OPERATING EXPENSES.....	1,263,557	696,660	5,783,306	7,743,523
OPERATING INCOME (LOSS).....	(366,691)	(207,050)	140,582	(433,159)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	-	213,463	213,463
Interest expense.....	(94,515)	(23,155)	-	(117,670)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(94,515)	(23,155)	213,463	95,793
INCOME (LOSS) BEFORE TRANSFERS.....	(461,206)	(230,205)	354,045	(337,366)
TRANSFERS:				
Transfers in.....	-	3,000	-	3,000
Transfers out.....	-	-	(35,000)	(35,000)
TOTAL TRANSFERS.....	-	3,000	(35,000)	(32,000)
CHANGE IN NET POSITION.....	(461,206)	(227,205)	319,045	(369,366)
NET POSITION AT BEGINNING OF YEAR, as revised.....	3,654,016	2,017,179	9,828,531	15,499,726
NET POSITION AT END OF YEAR.....	\$ 3,192,810	\$ 1,789,974	\$ 10,147,576	\$ 15,130,360

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2017	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 1,220,384	\$ 523,546	\$ 5,563,893	\$ 7,307,823
Payments to vendors.....	(307,019)	(199,169)	(3,828,703)	(4,334,891)
Payments to employees.....	(501,770)	(251,254)	(897,548)	(1,650,572)
NET CASH FROM OPERATING ACTIVITIES.....	411,595	73,123	837,642	1,322,360
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	-	3,000	-	3,000
Transfers out.....	-	-	(35,000)	(35,000)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	-	3,000	(35,000)	(32,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition and construction of capital assets.....	(724,312)	-	(1,010,656)	(1,734,968)
Principal payments on bonds and notes.....	(190,325)	(75,000)	-	(265,325)
Interest expense.....	(95,632)	(25,024)	-	(120,656)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,010,269)	(100,024)	(1,010,656)	(2,120,949)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	-	(509,237)	(509,237)
Investment income.....	-	-	213,463	213,463
NET CASH FROM INVESTING ACTIVITIES.....	-	-	(295,774)	(295,774)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(598,674)	(23,901)	(503,788)	(1,126,363)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,187,011	421,524	589,784	2,198,319
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 588,337	\$ 397,623	\$ 85,996	\$ 1,071,956
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>				
<u>FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (366,691)	\$ (207,050)	\$ 140,582	\$ (433,159)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	188,279	133,105	300,104	621,488
Deferred (outflows)/inflows related to pensions.....	3,868	1,789	-	5,657
Deferred (outflows)/inflows related to OPEB.....	22,913	13,265	-	36,178
Changes in assets and liabilities:				
User charges.....	323,518	33,936	(363,140)	(5,686)
Prepaid expenses.....	-	-	(17,206)	(17,206)
Warrants payable.....	93,204	2,362	702,151	797,717
Accrued payroll.....	420	99	-	519
Customer deposits.....	-	-	3,145	3,145
Compensated absences.....	1,800	300	-	2,100
Net pension liability.....	159,612	104,789	-	264,401
Net OPEB liability.....	(15,328)	(9,472)	-	(24,800)
Other postemployment benefits liability.....	-	-	72,006	72,006
Total adjustments.....	778,286	280,173	697,060	1,755,519
NET CASH FROM OPERATING ACTIVITIES.....	\$ 411,595	\$ 73,123	\$ 837,642	\$ 1,322,360

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 523	\$ 209,405	\$ 400,785
Investments.....	179,080	88,245	-
TOTAL ASSETS.....	179,603	297,650	400,785
LIABILITIES			
Warrants payable.....	-	600	-
Liabilities due depositors.....	-	-	400,785
TOTAL LIABILITIES.....	-	600	400,785
NET POSITION			
Restricted for other postemployment benefits.....	179,603	-	-
Held in trust for other purposes.....	-	297,050	-
TOTAL NET POSITION.....	\$ 179,603	\$ 297,050	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 85,000	\$ -
Employer contributions for benefit payments.....	<u>188,554</u>	<u>-</u>
Total contributions.....	<u>273,554</u>	<u>-</u>
Net investment income (loss).....	<u>(3,287)</u>	<u>14,384</u>
TOTAL ADDITIONS.....	<u>270,267</u>	<u>14,384</u>
DEDUCTIONS:		
Other postemployment benefit payments.....	188,554	-
Educational scholarships.....	<u>-</u>	<u>11,596</u>
TOTAL DEDUCTIONS.....	<u>188,554</u>	<u>11,596</u>
NET INCREASE (DECREASE) IN NET POSITION.....	81,713	2,788
NET POSITION AT BEGINNING OF YEAR.....	<u>97,890</u>	<u>294,262</u>
NET POSITION AT END OF YEAR.....	<u>\$ 179,603</u>	<u>\$ 297,050</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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 2018 assessment was \$9,267,887.

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 2018 assessment was \$953,645.

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 activities) 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 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 for 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 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 and OPEB 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 and OPEB 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 to 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. 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.

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Groveland's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$7,308,581 and the bank balance totaled \$7,232,000. Of the bank balance, \$3,042,112 was covered by Federal Depository Insurance, \$2,617,524 was covered by the Depositors Insurance Fund, and \$1,572,364 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, 2018 as compared with the December 31, 2017 amounts presented above.

Investments

As of June 30, 2018, the Town had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>			<u>Rating</u>
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	
<u>Debt securities:</u>					
U.S. treasury bonds.....	\$ 130,007	\$ 94,535	\$ 35,472	\$ -	AA+
Government sponsored enterprises...	188,861	-	188,861	-	AA+
Corporate bonds.....	852,114	5,937	242,917	603,260	BBB to A+
Municipal bonds.....	<u>1,415,181</u>	<u>-</u>	<u>879,457</u>	<u>535,724</u>	AA
Total debt securities.....	2,586,163	\$ <u>100,472</u>	\$ <u>1,346,707</u>	\$ <u>1,138,984</u>	
<u>Other investments:</u>					
Equity securities.....	1,417,922				
Equity mutual funds.....	121,774				
Fixed income mutual funds.....	57,306				
Mutual funds.....	798,882				
Money market mutual funds.....	43,992				
MMDT.....	<u>714,578</u>				
Total investments.....	\$ <u>5,740,617</u>				

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$318,868 of municipal bonds and government securities, \$135,509 of corporate bonds, \$71,504 of equities securities, \$121,774 of equity mutual funds, and \$57,306 of fixed income mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

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

Interest Rate Risk

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

Credit Risk

The Town has not adopted a formal policy related to credit risk.

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, 2018:

Investment Type	June 30, 2018	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 measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 130,007	\$ 130,007	\$ -	\$ -
Government sponsored enterprises.....	188,861	188,861	-	-
Corporate bonds.....	852,114	-	852,114	-
Municipal bonds.....	1,415,181	1,415,181	-	-
Total debt securities.....	2,586,163	1,734,049	852,114	-
<u>Other investments:</u>				
Equity securities.....	1,417,922	1,417,922	-	-
Equity mutual funds.....	121,774	121,774	-	-
Fixed income mutual funds.....	57,306	57,306	-	-
Mutual funds.....	798,882	798,882	-	-
Money market mutual funds.....	43,992	43,992	-	-
Total other investments.....	2,439,876	2,439,876	-	-
Total investments measured at fair value.....	5,026,039	\$ 4,173,925	\$ 852,114	\$ -
Investments measured at amortized cost:				
MMDT.....	714,578			
Total investments.....	\$ 5,740,617			

Municipal bonds and government securities, U.S. government treasuries, government sponsored enterprises, securities and certificates of deposit, 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. Corporate 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.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the advisor.

NOTE 3 – RECEIVABLES

At June 30, 2018, receivables for the individual major funds, and 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.....	\$ 46,780	\$ -	\$ 46,780
Tax liens.....	550,467	-	550,467
Motor vehicle and other excise taxes.....	82,281	(21,000)	61,281
Intergovernmental.....	423,895	-	423,895
Total.....	\$ <u>1,103,423</u>	\$ <u>(21,000)</u>	\$ <u>1,082,423</u>

At June 30, 2018 (December 31, 2017 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.....	\$ 254,897	\$ -	\$ 254,897
Sewer fees.....	125,436	-	125,436
Sewer special assessments.....	199,658	-	199,658
Electric light fees.....	999,329	-	999,329
Total.....	\$ <u>1,579,320</u>	\$ <u>-</u>	\$ <u>1,579,320</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	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 28,419	\$ -	\$ 28,419
Tax liens.....	550,467	-	550,467
Community preservation fund surtax.....	-	139,771	139,771
Motor vehicle and other excise taxes.....	61,281	-	61,281
Total.....	\$ <u>640,167</u>	\$ <u>139,771</u>	\$ <u>779,938</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, 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 improvements.....	8,315,034	10,180	-	8,325,214
Machinery and equipment.....	2,177,318	116,954	-	2,294,272
Vehicles.....	3,211,781	-	-	3,211,781
Infrastructure.....	23,020,496	355,444	-	23,375,940
Total capital assets being depreciated.....	38,012,094	482,578	-	38,494,672
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(490,242)	(35,842)	-	(526,084)
Buildings and improvements.....	(6,121,368)	(160,410)	-	(6,281,778)
Machinery and equipment.....	(1,568,185)	(113,994)	-	(1,682,179)
Vehicles.....	(1,875,787)	(183,876)	-	(2,059,663)
Infrastructure.....	(9,802,514)	(530,240)	-	(10,332,754)
Total accumulated depreciation.....	(19,858,096)	(1,024,362)	-	(20,882,458)
Total capital assets being depreciated, net.....	18,153,998	(541,784)	-	17,612,214
Total governmental activities capital assets, net.....	\$ 27,950,037	\$ (541,784)	\$ -	\$ 27,408,253
Business-Type Activities				
	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 478,753	\$ -	\$ -	\$ 478,753
Construction in progress.....	772,176	724,312	-	1,496,488
Total capital assets not being depreciated.....	1,250,929	724,312	-	1,975,241
<u>Capital assets being depreciated:</u>				
Buildings.....	36,753	-	-	36,753
Machinery and equipment.....	310,760	-	-	310,760
Vehicles.....	24,307	-	-	24,307
Infrastructure.....	7,152,909	-	-	7,152,909
Total capital assets being depreciated.....	7,524,729	-	-	7,524,729
<u>Less accumulated depreciation for:</u>				
Buildings.....	(31,658)	(784)	-	(32,442)
Machinery and equipment.....	(254,415)	(25,716)	-	(280,131)
Vehicles.....	(24,307)	-	-	(24,307)
Infrastructure.....	(2,402,658)	(161,779)	-	(2,564,437)
Total accumulated depreciation.....	(2,713,038)	(188,279)	-	(2,901,317)
Total capital assets being depreciated, net.....	4,811,691	(188,279)	-	4,623,412
Total water activities capital assets, net.....	\$ 6,062,620	\$ 536,033	\$ -	\$ 6,598,653

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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.....	<u>5,425,437</u>	<u>-</u>	<u>-</u>	<u>5,425,437</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(14,588)	(1,945)	-	(16,533)
Infrastructure.....	<u>(3,190,221)</u>	<u>(131,160)</u>	<u>-</u>	<u>(3,321,381)</u>
Total accumulated depreciation.....	<u>(3,204,809)</u>	<u>(133,105)</u>	<u>-</u>	<u>(3,337,914)</u>
Total capital assets being depreciated, net.....	<u>2,220,628</u>	<u>(133,105)</u>	<u>-</u>	<u>2,087,523</u>
Total sewer activities capital assets, net.....	<u>\$ 2,475,632</u>	<u>\$ (133,105)</u>	<u>\$ -</u>	<u>\$ 2,342,527</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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.....	2,038,131	535,036	-	2,573,167
Equipment.....	1,138,128	230,914	(3,450)	1,365,592
Infrastructure.....	<u>7,203,688</u>	<u>244,706</u>	<u>(79,383)</u>	<u>7,369,011</u>
Total capital assets being depreciated.....	<u>10,379,947</u>	<u>1,010,656</u>	<u>(82,833)</u>	<u>11,307,770</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(183,854)	(51,463)	-	(235,317)
Equipment.....	(784,948)	(53,649)	3,450	(835,147)
Infrastructure.....	<u>(2,984,233)</u>	<u>(194,992)</u>	<u>79,383</u>	<u>(3,099,842)</u>
Total accumulated depreciation.....	<u>(3,953,035)</u>	<u>(300,104)</u>	<u>82,833</u>	<u>(4,170,306)</u>
Total capital assets being depreciated, net.....	<u>6,426,912</u>	<u>710,552</u>	<u>-</u>	<u>7,137,464</u>
Total electric light activities capital assets, net.....	<u>\$ 6,881,112</u>	<u>\$ 710,552</u>	<u>\$ -</u>	<u>\$ 7,591,664</u>

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

Governmental Activities:	
General government.....	\$ 54,965
Public safety.....	203,000
Education.....	326,121
Public works.....	366,771
Health and human services.....	6,761
Culture and recreation.....	<u>66,744</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,024,362</u>
 Business-Type Activities:	
Water.....	\$ 188,279
Sewer.....	133,105
Electric Light.....	<u>300,104</u>
Total depreciation expense - business-type activities.....	<u>\$ 621,488</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year end June 30, 2018, are summarized as follows:

<u>Transfers Out:</u>	Transfers In:			
	General fund	Nonmajor governmental funds	Sewer Enterprise fund	Total
General fund.....	\$ -	\$ 121,602	\$ -	\$ 121,602 (1)
Nonmajor governmental funds.....	14,750	-	3,000	17,750 (2)
Electric Light Enterprise fund.....	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000 (3)</u>
Total.....	<u>\$ 49,750</u>	<u>\$ 121,602</u>	<u>\$ 3,000</u>	<u>\$ 174,352</u>

- (1) Budgeted appropriation from the general fund to nonmajor governmental funds for capital articles voted at Annual Town Meeting.
- (2) Transfer to the general fund and to the sewer enterprise fund from special revenue funds.
- (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 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>Asset:</u>	Governmental Activities
Machinery and equipment.....	\$ 288,845
Less: accumulated depreciation.....	(36,813)
Total.....	\$ 252,032

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Years ending June 30:</u>	Governmental Activities
2019.....	\$ 37,077
2020.....	37,077
2021.....	37,077
2022.....	37,077
Total minimum lease payments.....	148,308
Less: amounts representing interest.....	(14,653)
Present value of minimum lease payments.....	\$ 133,655

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.

At June 30, 2018, the Town had no short-term debt outstanding.

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, 2018, 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, 2018
Land acquisition.....	2035	\$ 3,675,000	2-4%	\$ 3,120,000
Police Communications Console.....	2021	160,000	2.00%	120,000
Aerial Ladder Truck.....	2036	734,675	2-3.25%	<u>690,000</u>
Total Bonds Payable.....				3,930,000
Add: Unamortized premium on bonds.....				<u>112,392</u>
Total Bonds Payable, net.....				<u><u>\$ 4,042,392</u></u>

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

Year	Principal	Interest	Total
2019.....	\$ 265,000	\$ 126,762	\$ 391,762
2020.....	265,000	117,762	382,762
2021.....	265,000	108,762	373,762
2022.....	225,000	99,762	324,762
2023.....	225,000	91,562	316,562
2024.....	225,000	82,962	307,962
2025.....	225,000	74,362	299,362
2026.....	225,000	65,762	290,762
2027.....	225,000	59,938	284,938
2028.....	225,000	53,650	278,650
2029.....	225,000	47,362	272,362
2030.....	225,000	41,076	266,076
2031.....	215,000	34,326	249,326
2032.....	215,000	27,876	242,876
2033.....	215,000	21,426	236,426
2034.....	215,000	14,663	229,663
2035.....	215,000	7,901	222,901
2036.....	<u>35,000</u>	<u>1,138</u>	<u>36,138</u>
Total.....	<u><u>\$ 3,930,000</u></u>	<u><u>\$ 1,077,051</u></u>	<u><u>\$ 5,007,051</u></u>

Bonds Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Water Well.....	2032	\$ 120,000	2-3%	\$ 90,000
Water storage tank & mains.....	2032	925,000	2-3%	695,000
Water storage tank & mains II.....	2032	700,000	2-3%	525,000
Water 1.....	2032	262,000	2-3%	110,000
Water 2.....	2032	338,000	2-3%	250,000
Water Mains	2037	1,470,325	2-3.250%	<u>1,395,000</u>
Total Water Enterprise Debt.....				\$ 3,065,000

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

Year	Principal	Interest	Total
2019.....	\$ 190,000	\$ 89,825	\$ 279,825
2020.....	190,000	84,875	274,875
2021.....	205,000	79,925	284,925
2022.....	205,000	74,525	279,525
2023.....	175,000	69,125	244,125
2024.....	175,000	63,875	238,875
2025.....	185,000	58,625	243,625
2026.....	190,000	53,075	243,075
2027.....	190,000	47,375	237,375
2028.....	195,000	41,675	236,675
2029.....	200,000	35,825	235,825
2030.....	200,000	29,825	229,825
2031.....	210,000	23,825	233,825
2032.....	205,000	17,525	222,525
2033.....	70,000	11,375	81,375
2034.....	70,000	9,100	79,100
2035.....	70,000	6,825	76,825
2036.....	70,000	4,550	74,550
2037.....	<u>70,000</u>	<u>2,274</u>	<u>72,274</u>
Total.....	\$ 3,065,000	\$ 804,024	\$ 3,869,024

Bonds Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Sewer.....	2019	\$ 357,000	4.70%	\$ 35,000
Sewer.....	2032	146,000	2-3%	115,000
Sewer pump station repairs.....	2032	625,000	2-3%	475,000
Sewer.....	2035	140,000	2-4%	<u>110,000</u>
Total Sewer Enterprise Debt.....				<u>\$ 735,000</u>

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

Year	Principal	Interest	Total
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.....	<u>5,000</u>	<u>156</u>	<u>5,156</u>
Total.....	<u>\$ 735,000</u>	<u>\$ 170,092</u>	<u>\$ 905,092</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, 2018, the Town had the following authorized and unissued debt:

Purpose	Amount
Highway Radios.....	\$ 19,966
Police Radios.....	20,203
Police Cruiser.....	43,516
Fire EMS Vehicle.....	65,000
Fire Radio System.....	<u>33,000</u>
Total.....	<u>\$ 181,685</u>

Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 4,199,675	\$ -	\$ (269,675)	\$ -	\$ -	\$ 3,930,000	\$ 265,000
Add: Unamortized premium on bonds...	126,749	-	(14,357)	-	-	112,392	13,411
Total bonds payable.....	4,326,424	-	(284,032)	-	-	4,042,392	278,411
Capital lease obligations.....	87,236	-	-	133,655	(87,236)	133,655	31,077
Compensated absences.....	152,500	-	-	15,525	(38,125)	129,900	32,475
Net pension liability.....	5,842,616	-	-	138,027	(458,279)	5,522,364	-
Net OPEB liability.....	1,462,927	-	-	3,243,030	(193,744)	4,512,213	-
Capital assessment payable.....	6,203,831	-	-	-	(489,132)	5,714,699	277,838
Total governmental activity long-term liabilities.....	\$ 18,075,534	\$ -	\$ (284,032)	\$ 3,530,237	\$ (1,266,516)	\$ 20,055,223	\$ 619,801
Business-Type Activities:							
Long-term bonds payable.....	\$ 4,065,325	\$ -	\$ (265,325)	\$ -	\$ -	\$ 3,800,000	\$ 270,000
Compensated absences.....	21,500	-	-	7,475	(5,375)	23,600	5,900
Net pension liability.....	2,484,115	-	-	347,724	(83,323)	2,748,516	-
Net OPEB liability.....	515,480	-	-	500,864	(79,810)	936,534	-
Total business-type activity long-term liabilities.....	\$ 7,086,420	\$ -	\$ (265,325)	\$ 856,063	\$ (168,508)	\$ 7,508,650	\$ 275,900

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, 2018, based on expenditures incurred to date is \$5.7 million.

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 appropriations from the fund requires a two-thirds vote of the legislative body. Additions to the fund may be made by a majority vote of the legislative body. At year-end, the balance of the Town’s stabilization fund and capital stabilization fund were \$1,231,147 and \$149,340 respectively, and were reported as unassigned fund balance within the general fund.

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

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 415,418	\$ 415,418
Restricted for:				
Community Preservation.....	-	2,798,630	-	2,798,630
Town capital projects fund.....	-	-	44,048	44,048
Town grant funds.....	-	-	574,454	574,454
Receipts reserved for appropriations.....	-	-	156,612	156,612
Special revenue trust funds.....	-	-	168,028	168,028
Town revolving funds.....	-	-	207,467	207,467
Town donation fund.....	-	-	82,562	82,562
Other special revenue funds.....	-	-	266,809	266,809
Assigned to:				
Encumbrances:				
General government.....	6,191	-	-	6,191
Public safety.....	1,145	-	-	1,145
Public works.....	2,725	-	-	2,725
Unassigned.....	<u>2,522,645</u>	<u>-</u>	<u>-</u>	<u>2,522,645</u>
Total Fund Balances.....	<u>\$ 2,532,706</u>	<u>\$ 2,798,630</u>	<u>\$ 1,915,398</u>	<u>\$ 7,246,734</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 actuarially 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, 2017 which was \$694,361, and 25.06% 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, 2018, the Town reported a liability of \$8,270,880 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, procedures were used to roll back 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, 2017, the Town's proportion was 2.223%, which increased by 0.062% from its proportion measured at December 31, 2016.

Pension Expense

For the year ended June 30, 2018, the Town recognized pension expense of \$532,819. At June 30, 2018, the Town reported net deferred outflows/inflows of resources related to pensions of \$1,226.

The balances of deferred outflows and inflows at June 30, 2018 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (123,776)	\$ (123,776)
Difference between projected and actual earnings, net.....	-	(210,930)	(210,930)
Changes in assumptions.....	609,770	-	609,770
Changes in proportion and proportionate share of contributions.....	<u>139,012</u>	<u>(412,850)</u>	<u>(273,838)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 748,782</u>	<u>\$ (747,556)</u>	<u>\$ 1,226</u>

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

Year ended June 30:	
2019.....	\$ 25,840
2020.....	28,423
2021.....	(38,105)
2022.....	<u>(14,932)</u>
Total.....	<u>\$ 1,226</u>

Actuarial Assumptions

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2017:

Valuation date.....	1/1/2018
Salary increases.....	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Net investment return /discount rate.....	7.50%
Inflation rate.....	2.75%
Cost of living adjustments.....	3% of the first \$14,000
Mortality rates:	
Pre- Retirement.....	RP-2000 Employee Mortality Table Projected generationally with Scale BB
Healthy Retiree.....	RP-2000 Healthy Annuitant Mortality Table Projected generationally with Scale BB
Disabled Retiree.....	RP-2000 Healthy Annuitant Mortality Table, set forward two years projected generationally with Scale BB.

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, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	17.50%	6.15%
International developed markets equity.....	15.50%	7.11%
International emerging markets equity.....	6.00%	9.41%
Core fixed income.....	12.00%	1.68%
High-yield fixed income.....	10.00%	4.13%
Real estate.....	10.00%	4.90%
Commodities.....	4.00%	4.71%
Hedge fund, GTAA, Risk parity.....	13.00%	3.94%
Private equity.....	12.00%	10.28%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.11%. 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 7.50%. 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
	<u> </u>	<u> </u>	<u> </u>
The Town's proportionate share of the net pension liability.....	\$ <u>8,211,043</u>	\$ <u>6,526,430</u>	\$ <u>5,109,437</u>
<u>December 31, 2017 Measurement Date</u>			
The Electric Light Plant's proportionate share of the net pension liability.....	\$ <u>2,194,730</u>	\$ <u>1,744,450</u>	\$ <u>1,365,702</u>

As allowed by GASB Statement No. 68 the net pension liability for the Groveland Municipal Light Plant was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. GASB Statement No. 68 allows the net pension liability to be reported as of a date (the measurement date) no earlier than the end of the prior fiscal year. Beginning in 2017, the Department changed its measurement date to the earlier period due to the timing of when the information is available from the Essex Regional Retirement System. This will be consistently applied in future reporting periods.

Changes of Assumptions

Changes of assumptions included a decrease in the discount rate from 7.75% to 7.50%, the inflation rate was lowered from 4.00% to 2.75%, and the assumed interest on employee contributions was increased from 2.00% to 3.75%. The retirement rates for employees in Groups 1 and 2 hired after April 1, 2012 and in Group 4 were revised to match the rates for employees hired before April 1, 2012 and there were minor changes to the rates prior to age 54 for Group 4 employees. The percentage of accidental disability retirees who are expected to die from the same cause as the disability was lowered from 40% to 20% for groups 1 and 2 employees and increased from 40% to 60% for Group 4 employees. The allowance for net 3(8)(c) payments was changed from an estimated liability to a term cost added to the service cost and the administrative expense assumption was lowered from \$1,127,500 to \$1,000,000.

Changes in Plan Provisions

None.

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.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For 2018, the Town’s age-adjusted contribution to the plan totaled \$274,000. For the year ended June 30, 2018, the Town’s average contribution rate was 8.94% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and enabled the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities.

During 2018, the Town pre-funded future OPEB liabilities by contributing \$85,000 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2018, the balance of this fund totaled \$180,000.

GASB Statement #74 and #75 - OPEB Plan and Employer Financial Reporting for the Town

The Electric Light Department is reported in the Town’s basic financial statements as of December 31, 2017, which is prior to the required implementation date of GASB Statement #75. The Electric Light Department will implement this standard next year. The amounts reported in the GASB Statement #75 footnote disclosures are based on the Town taken in total, inclusive of the Electric Light Department’s proportionate share of the net OPEB liability of \$1,155,295 at June 30, 2018.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2018:

Active members.....	50
Inactive members currently receiving benefits.....	<u>42</u>
Total.....	<u><u>92</u></u>

Components of OPEB Liability- The following table represents the components of the Plan’s OPEB liability as of June 30, 2018.

Total OPEB liability.....	\$ 6,368,264
Less: OPEB plan's fiduciary net position.....	<u>(179,603)</u>
Net OPEB liability.....	<u><u>\$ 6,188,661</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	2.82%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2016 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2018:

Valuation date.....	July 1, 2016
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.80%, net of OPEB plan investment expense, including inflation.
Discount rate.....	5.25%
Municipal Bond Rate.....	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20- Year High Grad Index- SAPIHG)
Single Equivalent Discount Rate.....	5.25%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.75% as of June 30, 2018 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2018 and for future periods.
Mortality Rates:	
Pre-Retirement Mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement Mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

Rate of return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2018, and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized on the following page:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity- Large Cap.....	20.00%	4.00%
Domestic Equity- Small/Mid Cap.....	10.00%	6.00%
International Equity- Developed Market....	10.00%	4.50%
International Equity- Emerging Market.....	5.00%	7.00%
Domestic Fixed Income.....	25.00%	2.00%
International Fixed Income.....	10.00%	3.00%
Alternatives.....	20.00%	6.50%
Total.....	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.25% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to the initial periods where the assets are expected to be sufficient to provide benefit payments, and the 3.45% municipal bond rate, based on the Municipal Bond 20-Year High Grade Index - SAPIHG, was applied to all periods thereafter to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017.....	\$ 6,571,066	\$ 87,902	\$ 6,483,164
Changes for the year:			
Service cost.....	175,566	-	175,566
Interest.....	349,312	-	349,312
Net investment income.....	-	6,702	(6,702)
Employer contributions to the trust.....	-	273,554	(273,554)
Benefit payments withdrawn from trust.....	-	(188,554)	188,554
Changes in assumptions and other inputs.....	(539,126)	-	(539,126)
Benefit payments.....	(188,554)	-	(188,554)
Net change.....	(202,802)	91,702	(294,504)
Balances at June 30, 2018.....	\$ 6,368,264	\$ 179,604	\$ 6,188,660

The Governmental activities along with the Water and Sewer activities’ proportionate share of the net OPEB liability is \$5,033,365 and the Electric Light activities’ proportionate share is \$1,155,295.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 5.25%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current discount rate.

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net OPEB liability.....	\$ 7,355,825	\$ 6,188,660	\$ 5,285,344

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 5.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability.....	\$ 4,921,302	\$ 6,188,660	\$ 7,854,216

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the financial reporting year ended June 30, 2018, the Town recognized OPEB expense of \$135,103 and reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between projected and actual earnings, net.....	\$ 1,377	\$ -	\$ 1,377
Changes in assumptions.....	-	(350,786)	(350,786)
Total deferred outflows/(inflows) of resources.....	\$ 1,377	\$ (350,786)	\$ (349,409)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Reporting year ended June 30:	
2019.....	\$ (87,351)
2020.....	(87,351)
2021.....	(87,352)
2022.....	(87,355)
Total.....	\$ (349,409)

Changes of Assumptions – The discount rate increased from 4.75% to 5.25%.

Changes in Plan Provisions – None.

GASB Statement #45- OPEB Employer Financial Reporting for the Groveland Municipal Light Plant as of December 31, 2017

Plan Description- The Groveland Electric Light Department (Department) participates in the Town sponsored single employer defined benefit health plan. The Department provides certain health care and life insurance benefits for eligible retirees, spouse and dependents. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

As of January 1, 2017, the Department’s membership consisted of the following:

Active members.....	7
Retirees and beneficiaries.....	<u>7</u>
Total.....	<u><u>14</u></u>

Funding Policy – The Department recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged to the Department by the Town, which aggregated to approximately \$53,000 for the year ended December 31, 2017. The cost of providing these benefits for retirees is not readily separable from the costs for active employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute 25% of the cost of benefits provided.

Annual OPEB Costs – The Department’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The components of the Department’s annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the changes in the department’s net OPEB obligation based on an actuarial valuation as of January 1, 2017, are summarized in the following table:

Annual required contribution.....	\$ 85,916
Interest on OPEB obligation.....	13,735
Adjustment to ARC.....	(19,093)
Amortization of actuarial gains and losses.....	<u>29,536</u>
Annual OPEB cost.....	110,094
Expected employer contributions.....	<u>(38,088)</u>
Increase (decrease) in net OPEB obligation.....	<u>72,006</u>
Net OPEB obligation - beginning of the year.....	<u>343,376</u>
Net OPEB obligation - end of the year.....	<u><u>\$ 415,382</u></u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 110,094	35%	\$ 415,382
12/31/2016	142,720	26%	343,376
12/31/2015	69,965	58%	238,396

Funded Status and Funding Progress – As of January 1, 2017, the most recent actuarial valuation date, the unfunded actuarial accrued liability for benefits was \$1.2 million.

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 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 multi-year 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 benefit 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.

As of the January 1, 2017 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included an initial annual health care cost trend rate of 5.00%. The actuarial value of assets was determined using the market value of investments. The Department's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis.

NOTE 14 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #75. The revised balances are summarized in the following table:

	06/30/2017 Previously Reported Balances	Implementation of GASB #75	06/30/2017 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ 17,776,168	\$ (3,264,012)	\$ 14,512,156
Business-type activities.....	<u>15,873,574</u>	<u>(373,848)</u>	<u>15,499,726</u>
Total.....	<u>\$ 33,649,742</u>	<u>\$ (3,637,860)</u>	<u>\$ 30,011,882</u>
Business-type Activities - Enterprise Funds			
Water fund.....	\$ 3,930,727	\$ (276,711)	\$ 3,654,016
Sewer fund.....	2,114,316	(97,137)	2,017,179
Electric fund.....	<u>9,828,531</u>	<u>-</u>	<u>9,828,531</u>
Total.....	<u>\$ 15,873,574</u>	<u>\$ (373,848)</u>	<u>\$ 15,499,726</u>

NOTE 15 – CONTINGENCIES

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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2019, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.

- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

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

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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, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 13,891,943	\$ 13,891,943	\$ 13,714,396	\$ -	\$ (177,547)
Tax liens.....	-	-	89,687	-	89,687
Motor vehicle and other excise taxes.....	918,000	918,000	1,073,342	-	155,342
Penalties and interest on taxes.....	80,000	80,000	70,746	-	(9,254)
Payments in lieu of taxes.....	52,000	52,000	23,953	-	(28,047)
Intergovernmental.....	915,578	915,578	916,157	-	579
Departmental and other.....	233,000	233,000	419,224	-	186,224
Investment income.....	8,500	8,500	15,853	-	7,353
TOTAL REVENUES.....	16,099,021	16,099,021	16,323,358	-	224,337
EXPENDITURES:					
Current:					
General government.....	877,759	831,747	790,039	6,191	35,517
Public safety.....	1,718,454	1,673,774	1,640,365	1,145	32,264
Education.....	10,431,531	10,443,812	10,443,812	-	-
Public works.....	1,322,055	1,407,461	1,393,356	2,725	11,380
Health and human services.....	217,814	216,314	210,817	-	5,497
Culture and recreation.....	249,923	227,928	226,517	-	1,411
Pension benefits.....	461,915	458,315	458,278	-	37
Property and liability insurance.....	145,000	162,900	162,894	-	6
Employee benefits.....	529,200	534,400	622,442	-	(88,042)
State and county charges.....	79,033	79,033	79,033	-	-
Debt service:					
Principal.....	245,000	269,675	269,675	-	-
Interest.....	148,713	136,038	135,856	-	182
TOTAL EXPENDITURES.....	16,426,397	16,441,397	16,433,084	10,061	(1,748)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(327,376)	(342,376)	(109,726)	(10,061)	222,589
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	17,376	17,376	-	-	(17,376)
Use of free cash.....	521,602	536,602	-	-	(536,602)
Use of overlay.....	190,000	190,000	-	-	(190,000)
Transfers in.....	35,000	35,000	114,750	-	79,750
Transfers out.....	(436,602)	(436,602)	(436,602)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	327,376	342,376	(321,852)	-	(664,228)
NET CHANGE IN FUND BALANCE.....	-	-	(431,578)	(10,061)	(441,639)
BUDGETARY FUND BALANCE, Beginning of year.....	1,566,422	1,566,422	1,566,422	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,566,422	\$ 1,566,422	\$ 1,134,844	\$ (10,061)	\$ (441,639)

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**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2017.....	2.223%	\$ 8,270,880	\$ 2,770,480	298.54%	55.40%
December 31, 2016.....	2.161%	8,317,251	2,778,252	299.37%	51.12%
December 31, 2015.....	2.279%	8,112,592	2,663,576	304.58%	51.01%
December 31, 2014.....	2.331%	6,340,753	2,557,548	247.92%	52.27%

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2018.....	\$ 694,361	\$ (694,361)	-	\$ 2,770,480	25.06%
June 30, 2017.....	628,220	(628,220)	-	2,778,252	22.61%
June 30, 2016.....	639,922	(639,922)	-	2,663,576	24.02%
June 30, 2015.....	598,799	(598,799)	-	2,557,548	23.41%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

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

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

GASB #45 – Electric Light Department

The Electric Light Department reports on a calendar year basis and their plan is to implement GASB 75 for the year ended December 31, 2018.

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

The Schedule of the Electric Light Department's Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of the Electric Light Department's Actuarial Methods and Assumptions presents factors that significantly affect the identification trends in the amounts reported.

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 CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018
Total OPEB Liability		
Service Cost.....	\$ 190,892	\$ 175,566
Interest.....	302,048	349,312
Changes of assumptions.....	-	(539,126)
Benefit payments.....	<u>(177,756)</u>	<u>(188,554)</u>
Net change in total OPEB liability.....	315,184	(202,802)
Total OPEB liability - beginning.....	<u>6,255,882</u>	<u>6,571,066</u>
Total OPEB liability - ending (a).....	<u>\$ 6,571,066</u>	<u>\$ 6,368,264</u>
Plan fiduciary net position		
Employer contributions.....	\$ 85,000	\$ 85,000
Employer contributions for OPEB payments.....	177,756	188,554
Net investment income/(loss).....	3,277	(3,287)
Benefit payments.....	<u>(177,756)</u>	<u>(188,554)</u>
Net change in plan fiduciary net position.....	88,277	81,713
Plan fiduciary net position - beginning of year.....	<u>9,613</u>	<u>97,890</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 97,890</u>	<u>\$ 179,603</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 6,473,176</u>	<u>\$ 6,188,661</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.49%	2.82%
Covered-employee payroll.....	\$ 2,971,670	\$ 3,060,820
Net OPEB liability as a percentage of covered-employee payroll.....	217.83%	202.19%

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 THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2018.....	\$ 569,035	\$ (273,554)	\$ 295,481	\$ 3,060,820	8.94%
June 30, 2017.....	568,392	(247,276)	321,116	2,971,670	8.32%

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 INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2018.....	4.43%
June 30, 2017.....	10.60%

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
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
GROVELAND MUNICIPAL LIGHT PLANT

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	Covered Payroll (C)	UAAL as a percentage of Covered Payroll ((B-A)/C)
1/1/2017 \$	10,299	\$ 1,206,673	\$ 1,196,374	0.85%	\$ 879,941	136.0%
7/1/2016	-	1,292,410	1,292,410	0.0%	623,455	207.3%
7/1/2013	-	665,227	665,227	0.0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
12/31/2017 \$	85,916	\$ 110,094	128%
12/31/2016	115,548	142,720	124%
12/31/2015	73,231	69,965	96%

See notes to the required supplementary information

**OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROVELAND MUNICIPAL LIGHT PLANT**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
December 31, 2017.....	\$ 114,467	\$ (38,088)	\$ 76,379	\$ 879,941	4.33%

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
ACTUARIAL METHODS AND ASSUMPTION
GROVELAND MUNICIPAL LIGHT PLANT**

Actuarial Methods:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Individual entry age normal
Amortization method.....	30 years, level dollar
Remaining amortization period.....	20 years, as of December 31, 2017

Actuarial Assumption:

Interest discount rate.....	4.00%
Medical cost trend rate.....	5.00%

Plan Membership:

Current retirees and beneficiaries.....	7
Current active members.....	<u>7</u>
 Total.....	 14

See notes to the required supplementary information

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Massachusetts General Law (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 require 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 2018 approved budget authorized \$16.8 million in appropriations and other amounts to be raised, along with \$17,000 of prior year carryforwards. There was a net increase of \$15,000 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, 2018, is presented below:

Net change in fund balance - budgetary basis.....	\$	(431,578)
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		254,779
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		<u>7,267</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(169,532)</u></u>

C. Appropriation Deficits

During 2018, actual expenditures exceeded appropriations for employee benefits. This deficit will be raised on the subsequent year tax RECAP.

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

Changes of assumptions included a decrease in the discount rate from 7.75% to 7.50%, the inflation rate was lowered from 4.00% to 2.75%, and the assumed interest on employee contributions was increased from 2.00% to 3.75%. The retirement rates for employees in Groups 1 and 2 hired after April 1, 2012 and in Group 4 were revised to match the rates for employees hired before April 1, 2012 and there were minor changes to the rates prior to age 54 for Group 4 employees. The percentage of accidental disability retirees who are expected to die from the same cause as the disability was lowered from 40% to 20% for groups 1 and 2 employees and increased from 40% to 60% for Group 4 employees. The allowance for net 3(8)(c) payments was changed from an estimated liability to a term cost added to the service cost and the administrative expense assumption was lowered from \$1,127,500 to \$1,000,000.

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 Other Postemployment Benefit Plan

Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2016
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.80%, net of OPEB plan investment expense, including inflation.
Discount rate.....	5.25%
Municipal Bond Rate.....	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20- Year High Grad Index- SAPIHG)
Single Equivalent Discount Rate.....	5.25%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.75% as of June 30, 2018 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2018 and for future periods.
Mortality Rates:	
Pre-Retirement Mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement Mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes of Assumptions

The discount rate increased from 4.75% to 5.25%.

Changes in Provisions

None.

Schedule of Funding Progress

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

The Schedule of Employer Contributions

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions related to the plan.

The Schedule of Actuarial Methods and Assumptions

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

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



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

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements, and have issued our report thereon dated March 25, 2019. Our report includes a reference to another auditor who audited the financial statements of the Groveland Municipal Light Department as of December 31, 2017, 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Groveland, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

March 25, 2019