

**TOWN OF GROTON, MASSACHUSETTS**

**Financial Statements**

**June 30, 2012**

**and Electric Light Enterprise Fund as of December 31, 2011**

**(With Accountants' Report Thereon)**

***Giusti, Hingston and Company***  
***Certified Public Accountants***

***36 Jackman St., Unit 1 \* Georgetown, MA 01833 \* (Tel) 978-352-7470***

Town of Groton, Massachusetts  
**FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2012  
and Electric Light Enterprise Fund as of December 31, 2011  
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Town of Groton, Massachusetts  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2012  
and Electric Light Enterprise Fund as of December 31, 2011  
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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS - TOWN  
OF GROTON, MASSACHUSETTS

Board of Selectmen  
Town of Groton  
173 Main Street  
Groton, MA 01450

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 Groton, Massachusetts as of and for the year ended June 30, 2012 (December 31, 2011 for the Groton Electric Light Enterprise Fund), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Groton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Groton Electric Light Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Groton Electric Light Enterprise Fund, is based solely on the report of the other auditors.

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

In our opinion, 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 Groton, Massachusetts as of June 30, 2012 (and the Groton Electric Light Enterprise Fund as of December 31, 2011) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 11, 2012 on our consideration of the Town of Groton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, retirement system schedules and post employment benefit schedules 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 inquires 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.

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
December 11, 2012

**Town of Groton, Massachusetts  
Management's Discussion and Analysis  
Required Supplementary Information  
June 30, 2012**

As management of the Town of Groton, Massachusetts, we offer readers of the Town of Groton, Massachusetts' financial statements this narrative overview and analysis of the financial activities of the Town of Groton, Massachusetts for the fiscal year ended June 30, 2012.

**Financial Statements Reporting Model**

The Town of Groton, Massachusetts has implemented GASB 34 (Governmental Accounting Standards Board Statement number 34). This statement requires all governments to account for and report capital assets in its Financial Statements. In addition, GASB 34 establishes new criteria on the form and content of governmental financial statements and makes changes to the audited financial statements and the accounting methods used to generate the amounts. These changes are explained below and are also further explained in the "Notes to the Financial Statements". Please refer to the Table of Contents at the very beginning of these Financial Statements for a summary of where the information explained here is presented in these Financial Statements.

One of the changes created by the GASB 34 Reporting Model relates to the addition of two new financial statements. These financial statements are called Government-wide Financial Statements. The first statement is called the Statement of Net Assets and the second one is called the Statement of Activities. A description of these Government-wide Financial Statements is provided below and additional information about them can be found in the "Notes to the Financial Statements".

This "Management's Discussion and Analysis" is intended to serve as an introduction to the Town of Groton, Massachusetts's June 30, 2012 basic financial statements. The Town of Groton, Massachusetts's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Financial Highlights***

- The assets of the Town of Groton, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$65,717,080 (*net assets*). Of this amount \$5,396,573 (*unrestricted net assets*) may be used to meet government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,210,243, or 11 percent of total general fund expenditures.
- The Town of Groton, Massachusetts' total debt decreased by 9 percent during the current year. The decrease was the result of the principal payments of \$1,380,516.

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

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

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

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for water, sewer and electric light. User fees charged to the customers receiving services finance these 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. The Town of Groton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Groton, Massachusetts can be divided into three categories: governmental funds, fiduciary funds and proprietary 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The Town of Groton, Massachusetts maintains three proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the

government-wide financial statements. The Town of Groton, Massachusetts uses enterprise funds to account for its Water, Sewer and Electric Light operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Electric Light operations.

### Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net assets. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net assets.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

### Financial Analysis of the Government-wide Financial Statements

#### Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. However, the net assets of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not used to finance costs related to business-type activities. The following table reflects the condensed net assets.

**Net Assets  
June 30**

|                          | <b>Governmental<br/>Activities</b> |                   | <b>Business-type<br/>Activities</b> |                   | <b>Totals</b>     |                   |
|--------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|-------------------|-------------------|
|                          | <u>2012</u>                        | <u>2011</u>       | <u>2012</u>                         | <u>2011</u>       | <u>2012</u>       | <u>2011</u>       |
| Current and Other Assets | \$ 12,071,523                      | \$ 11,532,918     | \$ 9,190,602                        | \$ 9,001,448      | \$ 21,262,125     | \$ 20,534,366     |
| Capital Assets           | 40,564,501                         | 40,065,100        | 26,185,126                          | 26,367,550        | 66,749,627        | 66,432,650        |
| Total Assets             | <u>52,636,024</u>                  | <u>51,598,018</u> | <u>35,375,728</u>                   | <u>35,368,998</u> | <u>88,011,752</u> | <u>86,967,016</u> |
| Other Liabilities        | 2,103,783                          | 1,856,685         | 1,638,032                           | 1,506,924         | 3,741,815         | 3,363,609         |
| Long Term Liabilities    | 11,649,931                         | 12,199,101        | 6,902,926                           | 7,242,278         | 18,552,857        | 19,441,379        |
| Total Liabilities        | <u>13,753,714</u>                  | <u>14,055,786</u> | <u>8,540,958</u>                    | <u>8,749,202</u>  | <u>22,294,672</u> | <u>22,804,988</u> |



**Net Assets**  
**June 30**

|                            | <b>Governmental Activities</b> |                      | <b>Business-type Activities</b> |                      | <b>Totals</b>        |                      |
|----------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                            | <u>2012</u>                    | <u>2011</u>          | <u>2012</u>                     | <u>2011</u>          | <u>2012</u>          | <u>2011</u>          |
|                            | Net Assets:                    |                      |                                 |                      |                      |                      |
| Invested in Capital Assets |                                |                      |                                 |                      |                      |                      |
| Net of Related Debt        | 30,872,492                     | 29,289,836           | 21,348,450                      | 21,217,007           | 52,220,942           | 50,506,843           |
| Restricted                 | 5,924,864                      | 6,131,424            | 878,269                         | 968,247              | 6,803,133            | 7,099,671            |
| Unrestricted               | 2,084,954                      | 2,120,972            | 4,608,051                       | 4,475,850            | 6,693,005            | 6,596,822            |
| <b>Total Net Assets</b>    | <b>\$ 38,882,310</b>           | <b>\$ 37,542,232</b> | <b>\$ 26,834,770</b>            | <b>\$ 26,661,104</b> | <b>\$ 65,717,080</b> | <b>\$ 64,203,336</b> |

The net assets of the Town (including prior period adjustments) increased by \$1,513,744. The net assets of the governmental activities increased by \$1,340,078 or 4%, and the net assets of the business-type activities increased by \$173,666 or 1%.

**Changes in Net Assets**

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net assets have changed during the fiscal year.

|  | <b>Governmental Activities</b> |                   | <b>Business-Type Activities</b> |                   | <b>Totals</b>     |                   |
|--|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
|  | <u>2012</u>                    | <u>2011</u>       | <u>2012</u>                     | <u>2011</u>       | <u>2012</u>       | <u>2011</u>       |
| <b>Revenues</b>  |                                |                   |                                 |                   |                   |                   |
| Program Revenues:                                      |                                |                   |                                 |                   |                   |                   |
| Charges for Services                                   | \$ 1,823,888                   | \$ 1,553,436      | \$ 11,434,512                   | \$ 11,299,501     | \$ 13,258,400     | \$ 12,852,937     |
| Operating Grants and Contributions                     | 2,055,365                      | 1,793,270         | 217,375                         | 73,177            | 2,272,740         | 1,866,447         |
| Capital Grants and Contributions                       | -                              | -                 | -                               | 75,000            | -                 | 75,000            |
| General Revenues:                                      |                                |                   |                                 |                   |                   |                   |
| Property Taxes   | 24,809,321                     | 25,084,676        | -                               | -                 | 24,809,321        | 25,084,676        |
| Motor Vehicle and Other Excises                        | 1,326,604                      | 1,303,278         | -                               | -                 | 1,326,604         | 1,303,278         |
| Intergovernmental Not Restricted to a Specific Program | 724,160                        | 756,425           | -                               | -                 | 724,160           | 756,425           |
| Other  | 365,926                        | 365,745           | -                               | -                 | 365,926           | 365,745           |
| <b>Total Revenues</b>                                  | <b>31,105,264</b>              | <b>30,856,830</b> | <b>11,651,887</b>               | <b>11,447,678</b> | <b>42,757,151</b> | <b>42,304,508</b> |
| <b>Expenses</b>  |                                |                   |                                 |                   |                   |                   |
| General Government                                     | 2,350,301                      | 2,442,143         | -                               | -                 | 2,350,301         | 2,442,143         |
| Public Safety  | 3,362,758                      | 3,373,083         | -                               | -                 | 3,362,758         | 3,373,083         |
| Education  | 16,294,592                     | 16,874,293        | -                               | -                 | 16,294,592        | 16,874,293        |
| Highways and Public works                              | 2,458,718                      | 2,504,175         | -                               | -                 | 2,458,718         | 2,504,175         |
| Human Services   | 242,105                        | 285,992           | -                               | -                 | 242,105           | 285,992           |
| Culture and Recreation                                 | 2,040,782                      | 1,358,889         | -                               | -                 | 2,040,782         | 1,358,889         |
| Fringe Benefits  | 2,760,538                      | 2,678,800         | -                               | -                 | 2,760,538         | 2,678,800         |
| Interest on Debt Service                               | 371,283                        | 430,956           | -                               | -                 | 371,283           | 430,956           |
| Electric   | -                              | -                 | 9,324,791                       | 9,274,122         | 9,324,791         | 9,274,122         |
| Sewer  | -                              | -                 | 775,135                         | 664,235           | 775,135           | 664,235           |
| Water  | -                              | -                 | 1,208,697                       | 1,113,837         | 1,208,697         | 1,113,837         |
| <b>Total Expenses</b>                                  | <b>29,881,077</b>              | <b>29,948,331</b> | <b>11,308,623</b>               | <b>11,052,194</b> | <b>41,189,700</b> | <b>41,000,525</b> |

|                                   | <u>Governmental Activities</u> |                   | <u>Business-Type Activities</u> |                   | <u>Totals</u>       |                     |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|---------------------|---------------------|
|                                   | <u>2012</u>                    | <u>2011</u>       | <u>2012</u>                     | <u>2011</u>       | <u>2012</u>         | <u>2011</u>         |
| Increase (Decrease) in Net Assets |                                |                   |                                 |                   |                     |                     |
| Before Special items              | 1,224,187                      | 908,499           | 343,264                         | 395,484           | 1,567,451           | 1,303,983           |
| Special Items                     | -                              | -                 | (53,707)                        | -                 | (53,707)            | -                   |
|                                   | <u>          </u>              | <u>          </u> | <u>          </u>               | <u>          </u> | <u>          </u>   | <u>          </u>   |
| Increase (Decrease) in Net Assets | <u>\$ 1,224,187</u>            | <u>\$ 908,499</u> | <u>\$ 289,557</u>               | <u>\$ 395,484</u> | <u>\$ 1,513,744</u> | <u>\$ 1,303,983</u> |

**Governmental Activities**

In fiscal year 2012, property taxes accounted for approximately 80% of the revenues.

**Business-type Activities**

Electric, sewer and water rates are structured to cover all costs related to each activity. In the current year, expenses exceeded revenues.

**Financial Analysis of the Town's Funds**

**Governmental Funds**

**General Fund** – The year-end fund balances of the general fund was \$313,803 more than the prior year's fund balance.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts' Department of Revenue (DOR) determines the amount of general fund balance available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the certified free cash. Beginning with fiscal year 2011 fund balances are reported in accordance with Governmental Accounting Standards Board Statement #54.

**Changes in Fund Balance and Free Cash  
General Fund**

| <u>Fiscal Year</u> | <u>Reserved for Encumbrances</u> | <u>Reserved for Petty Cash</u> | <u>Reserved for Subsequent Year's Expenditure</u> | <u>Unreserved</u> | <u>Total Fund Balance</u> | <u>Free Cash</u> |
|--------------------|----------------------------------|--------------------------------|---|-------------------|---------------------------|------------------|
| 2005               | \$704,236                        | \$50                           | \$10,000  | \$1,104,775       | \$1,819,061               | \$855,318        |
| 2006               | 106,664                          | 50                             | -   | 1,277,124         | 1,383,838                 | 904,466          |
| 2007               | 423,188                          | 200                            | -   | 912,714           | 1,336,102                 | 755,321          |
| 2008               | 134,018                          | 200                            | -   | 604,151           | 738,369                   | 627,146          |
| 2009               | 170,655                          | 200                            | -   | 722,222           | 893,077                   | 637,627          |
| 2010               | 333,672                          | 200                            | -   | 1,457,383         | 1,791,255                 | 818,654          |
|                    |                                  |                                |   |                   | <b>Total Fund Balance</b> | <b>Free Cash</b> |
|                    | <u>Restricted</u>                | <u>Committed</u>               | <u>Assigned</u>                                   | <u>Unassigned</u> | <u>Balance</u>            | <u>Cash</u>      |
| 2011               | \$15,830                         | \$307,510                      | \$71,289  | \$3,237,271       | \$3,631,900               | \$1,145,957      |
| 2012               | -                                | 654,523                        | 80,937  | 3,210,243         | 3,945,703                 | 1,136,576        |

The fiscal year 2011 and 2012 fund balances include \$1,737,064 and \$1,575,155 respectively. These amounts represent the Town's stabilization fund balance, which is required to be included with the general fund for financial statements purposes, in accordance with the new GASB 54 requirements.

**Proprietary Funds.** The Town of Groton, Massachusetts’ proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

***General Fund Budgetary Highlights***

The differences between the original budget and the final amended budget is made up of transfers between functions. The majority of the transfers were from the general government reserve fund.

***Capital Asset and Debt Administration***

**Capital assets.** The Town of Groton, Massachusetts’ investments in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$66,749,627 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

**Capital Assets at June 30  
(Net of Depreciation)**

|                                   | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                      | <u>Total</u>         |                      |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                   | <u>2012</u>                    | <u>2011</u>          | <u>2012</u>                     | <u>2011</u>          | <u>2012</u>          | <u>2011</u>          |
| Land and Construction in Progress | \$ 28,020,697                  | \$ 27,951,423        | \$ 2,404,787                    | \$ 2,345,288         | \$ 30,425,484        | \$ 30,296,711        |
| Distribution Plant                | -                              | -                    | 4,555,412                       | 4,595,327            | 4,555,412            | 4,595,327            |
| General Plant                     | -                              | -                    | 1,507,106                       | 1,187,475            | 1,507,106            | 1,187,475            |
| Buildings                         | 7,811,996                      | 8,073,900            | 2,244,399                       | 2,309,589            | 10,056,395           | 10,383,489           |
| Improvements Other Than Buildings | 556,257                        | 308,144              | 127,715                         | 135,455              | 683,972              | 443,599              |
| Infrastructure                    | 1,636,739                      | 1,862,455            | 15,009,386                      | 15,439,797           | 16,646,125           | 17,302,252           |
| Equipment                         | 978,383                        | 540,521              | 307,488                         | 345,391              | 1,285,871            | 885,912              |
| Vehicles                          | 1,560,429                      | 1,328,657            | 28,833                          | 9,228                | 1,589,262            | 1,337,885            |
| Total                             | <u>\$ 40,564,501</u>           | <u>\$ 40,065,100</u> | <u>\$ 26,185,126</u>            | <u>\$ 26,367,550</u> | <u>\$ 66,749,627</u> | <u>\$ 66,432,650</u> |

***Debt***

The Town had \$14,416,194 in general obligation bonds, outstanding on June 30, 2012. This represents a \$1,380,516 decrease or 9% decrease from the previous year.

**General Obligation Bonds Payable at June 30**

|                                 | <u>2012</u>          | <u>2011</u>          |
|---------------------------------|----------------------|----------------------|
| <b>Governmental Activities</b>  | <u>\$ 9,523,013</u>  | <u>\$ 10,585,950</u> |
| <b>Business-type Activities</b> |                      |                      |
| Electric                        | 308,160              | 350,660              |
| Sewer                           | 406,505              | 435,217              |
| Water                           | 4,178,516            | 4,424,883            |
| Total Business Type Activities  | <u>4,893,181</u>     | <u>5,210,760</u>     |
| Total Debt                      | <u>\$ 14,416,194</u> | <u>\$ 15,796,710</u> |

The Town maintains an “A+” rating from Standard & Poor’s for general obligation debt. According to Standard & Poor’s “the A+” rating reflects the town’s solid financial position, wealthy residential tax base and moderate debt burden with limited future borrowing needs.

### ***Fiscal Year 2012 Budget***

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that Towns can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½ “, it is necessary to obtain the approval of a majority of the voters at an election.

A decrease in state aid combined with an increase in the regional school assessments and an increase in employee benefits and other expenses had to be considered in balancing the fiscal year 2012 budget.

Town of Groton, Massachusetts  
Statement of Net Assets  
June 30, 2012  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2011)  
(Continued on Page 11)

|   | Governmental<br><u>Activities</u> | Business - Type<br><u>Activities</u> | Government-<br>Wide<br><u>Total</u> |
|---|-----------------------------------|--------------------------------------|-------------------------------------|
| <b>Assets</b>                             |                                   |                                      |                                     |
| Current:                                  |                                   |                                      |                                     |
| Cash/Investments                          | \$ 10,512,410                     | \$ 4,112,374                         | \$ 14,624,784                       |
| Receivables:                              |                                   |                                      |                                     |
| Property Taxes                            | 391,491                           | -                                    | 391,491                             |
| Tax Liens                                 | 232,117                           | -                                    | 232,117                             |
| Excises                                   | 145,193                           | -                                    | 145,193                             |
| Interest                                  | -                                 | 1,437                                | 1,437                               |
| User Charges                              | -                                 | 1,227,356                            | 1,227,356                           |
| Departmental                              | 76,433                            | -                                    | 76,433                              |
| Intergovernmental                         | 496,292                           | -                                    | 496,292                             |
| Special Assessment Liens                  | 27,557                            | 4,105                                | 31,662                              |
| Materials and Supplies                    | -                                 | 457,168                              | 457,168                             |
| Prepaid Expenses                          | -                                 | 959,983                              | 959,983                             |
| Noncurrent:                               |                                   |                                      |                                     |
| Investments                               | -                                 | 1,915,959                            | 1,915,959                           |
| Deferred Property Taxes                   | 190,030                           | -                                    | 190,030                             |
| Deferred Special Assessments              | -                                 | 391,831                              | 391,831                             |
| Other Assets                              | -                                 | 120,389                              | 120,389                             |
| Capital Assets:                           |                                   |                                      |                                     |
| Assets Not Being Depreciated              | 28,020,697                        | 2,404,787                            | 30,425,484                          |
| Assets Being Depreciated, Net             | 12,543,804                        | 23,780,339                           | 36,324,143                          |
| <b>Total Assets</b>                       | <b><u>52,636,024</u></b>          | <b><u>35,375,728</u></b>             | <b><u>88,011,752</u></b>            |
| <b>Liabilities</b>                        |                                   |                                      |                                     |
| Current:                                  |                                   |                                      |                                     |
| Warrants Payable                          | 154,530                           | 1,007,090                            | 1,161,620                           |
| Accrued Salaries Payable                  | 177,891                           | -                                    | 177,891                             |
| Lease Payable                             | 8,431                             | -                                    | 8,431                               |
| Due to Individuals                        | 3,488                             | -                                    | 3,488                               |
| Accrued Interest                          | 236,079                           | 74,414                               | 310,493                             |
| Bonds Payable                             | 1,073,364                         | 324,106                              | 1,397,470                           |
| Other Accrued Liabilities                 | -                                 | 232,422                              | 232,422                             |
| Bond Anticipation Notes Payable           | 450,000                           | -                                    | 450,000                             |
| Noncurrent:                               |                                   |                                      |                                     |
| Bonds Payable                             | 8,449,649                         | 4,569,075                            | 13,018,724                          |
| Deferred Gain on Refinance of Bond        | 98,353                            | 13,584                               | 111,937                             |
| Customer Deposit                          | -                                 | 230,751                              | 230,751                             |
| Lease Payable                             | 27,479                            | -                                    | 27,479                              |
| Other Accrued Liabilities                 | -                                 | 1,681,965                            | 1,681,965                           |
| Compensated Absences                      | 340,510                           | -                                    | 340,510                             |
| Landfill Liability                        | 677,618                           | -                                    | 677,618                             |
| Other Post Employment Benefit Obligations | 2,056,322                         | 407,551                              | 2,463,873                           |
| <b>Total Liabilities</b>                  | <b><u>13,753,714</u></b>          | <b><u>8,540,958</u></b>              | <b><u>22,294,672</u></b>            |

Town of Groton, Massachusetts  
Statement of Net Assets  
June 30, 2012  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2011)  
(Continued from Page 10)

|   | <u>Governmental<br/>Activities</u> | <u>Business - Type<br/>Activities</u> | <u>Government-<br/>Wide<br/>Total</u> |
|---|------------------------------------|---------------------------------------|---------------------------------------|
| <b>Net Assets</b>                               |                                    |                                       |                                       |
| Invested in Capital Assets, Net of Related Debt | 30,872,492                         | 21,348,450                            | 52,220,942                            |
| Restricted for:                                 |                                    |                                       |                                       |
| Debt Service                                    | -                                  | 878,269                               | 878,269                               |
| Special Revenue                                 | 2,849,184                          | -                                     | 2,849,184                             |
| Perpetual Funds:                                |                                    |                                       |                                       |
| Expendable                                      | 732,443                            | -                                     | 732,443                               |
| Nonexpendable                                   | 2,343,237                          | -                                     | 2,343,237                             |
| Unrestricted                                    | <u>2,084,954</u>                   | <u>4,608,051</u>                      | <u>6,693,005</u>                      |
| <br>Total Net Assets                            | <br><u>\$ 38,882,310</u>           | <br><u>\$ 26,834,770</u>              | <br><u>\$ 65,717,080</u>              |

Town of Groton, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2012  
(Except for the Electric Activity, Which is for Year Ended December 31, 2011)

| Functions/Programs                                  | Expenses      | Program Revenues     |                                    |                                  | Net (Expenses) Revenues and Changes in Net Assets |                          |                |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
|   |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total          |
| <i>Governmental Activities:</i>                     |               |                      |                                    |                                  |   |                          |                |
| General Government                                  | \$ 2,350,301  | \$ 194,636           | \$ 583,003                         | \$ -                             | \$ (1,572,662)                                    | \$ -                     | \$ (1,572,662) |
| Public Safety                                       | 3,362,758     | 529,282              | 437,314                            | -                                | (2,396,162)                                       | -                        | (2,396,162)    |
| Education   | 16,294,592    | -                    | 17,554                             | -                                | (16,277,038)                                      | -                        | (16,277,038)   |
| Highways and Public works                           | 2,458,718     | 352,944              | 658,689                            | -                                | (1,447,085)                                       | -                        | (1,447,085)    |
| Human Services                                      | 242,105       | 13,955               | 129,345                            | -                                | (98,805)  | -                        | (98,805)       |
| Culture and Recreation                              | 2,040,782     | 733,071              | 229,460                            | -                                | (1,078,251)                                       | -                        | (1,078,251)    |
| Fringe Benefits                                     | 2,760,538     | -                    | -                                  | -                                | (2,760,538)                                       | -                        | (2,760,538)    |
| Interest on Debt Service                            | 371,283       | -                    | -                                  | -                                | (371,283)   | -                        | (371,283)      |
| Total Governmental Activities                       | 29,881,077    | 1,823,888            | 2,055,365                          | -                                | (26,001,824)                                      | -                        | (26,001,824)   |
| <i>Business-Type Activities:</i>                    |               |                      |                                    |                                  |   |                          |                |
| Electric  | 9,324,791     | 9,638,230            | 177,879                            | -                                | -   | 491,318                  | 491,318        |
| Sewer   | 775,135       | 684,941              | 2,285                              | -                                | -   | (87,909)                 | (87,909)       |
| Water   | 1,208,697     | 1,111,341            | 37,211                             | -                                | -   | (60,145)                 | (60,145)       |
| Total Business-Type Activities                      | 11,308,623    | 11,434,512           | 217,375                            | -                                | -   | 343,264                  | 343,264        |
| Total   | \$ 41,189,700 | \$ 13,258,400        | \$ 2,272,740                       | \$ -                             | (26,001,824)                                      | 343,264                  | (25,658,560)   |
| <i>General Revenues:</i>                            |               |                      |                                    |                                  |   |                          |                |
| Property Taxes                                      |               |                      |                                    |                                  | 24,809,321  | -                        | 24,809,321     |
| Motor Vehicle and Other Excise Taxes                |               |                      |                                    |                                  | 1,326,604   | -                        | 1,326,604      |
| Penalties and Interest on Taxes                     |               |                      |                                    |                                  | 127,798   | -                        | 127,798        |
| Other Taxes, Assessments and in Lieu Payments       |               |                      |                                    |                                  | 206,481   | -                        | 206,481        |
| Intergovernmental                                   |               |                      |                                    |                                  | 724,160   | -                        | 724,160        |
| Interest and Investment Income                      |               |                      |                                    |                                  | 29,823  | -                        | 29,823         |
| <i>Special Items:</i>                               |               |                      |                                    |                                  |   |                          |                |
| Gain (Loss) on Sales of Capital Assets              |               |                      |                                    |                                  | 1,824   | (53,707)                 | (51,883)       |
| Total General Revenues, Special Items and Transfers |               |                      |                                    |                                  | 27,226,011  | (53,707)                 | 27,172,304     |
| Change in Net Assets                                |               |                      |                                    |                                  |   |                          |                |
| Net Assets:   |               |                      |                                    |                                  | 1,224,187   | 289,557                  | 1,513,744      |
| Beginning of the Year                               |               |                      |                                    |                                  | 37,542,232  | 26,619,796               | 64,162,028     |
| Add (Deduct) Current Period Adjustment to           |               |                      |                                    |                                  |   |                          |                |
| Unappropriated Earnings                             |               |                      |                                    |                                  | -   | 41,308                   | 41,308         |
| Prior Period Adjustment                             |               |                      |                                    |                                  | 115,891   | (115,891)                | -              |
| Beginning of the Year, as Restated                  |               |                      |                                    |                                  | 37,658,123  | 26,545,213               | 64,203,336     |
| End of the Year                                     |               |                      |                                    |                                  | \$ 38,882,310                                     | \$ 26,834,770            | \$ 65,717,080  |

Town of Groton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2012

|                                      | <u>General</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|--------------------------------------|----------------|--|---------------------------------------|
| <u>Assets</u>                        |                |  |                                       |
| Cash/Investments                     | \$ 4,146,234   | \$ 6,366,176                             | \$ 10,512,410                         |
| Receivables:                         |                |  |                                       |
| Property Taxes                       | 391,491        | -  | 391,491                               |
| Tax Liens                            | 232,117        | -  | 232,117                               |
| Excises                              | 145,193        | -  | 145,193                               |
| Deferred Property Taxes              | 190,030        | -  | 190,030                               |
| Departmental                         | 76,433         | -  | 76,433                                |
| Intergovernmental                    | -              | 496,292                                  | 496,292                               |
| Special Assessments                  | -              | 27,557                                   | 27,557                                |
| Tax Foreclosures                     | 44,257         | -  | 44,257                                |
| Total Assets                         | \$ 5,225,755   | \$ 6,890,025                             | \$ 12,115,780                         |
| <u>Liabilities and Fund Balances</u> |                |  |                                       |
| Liabilities:                         |                |  |                                       |
| Warrants Payable                     | \$ 154,499     | \$ 31                                    | \$ 154,530                            |
| Accrued Payroll Payable              | 177,891        | -  | 177,891                               |
| Other Liabilities                    | 3,488          | -  | 3,488                                 |
| Notes Payable                        | -              | 450,000                                  | 450,000                               |
| Deferred Revenue:                    |                |  |                                       |
| Property Taxes                       | 335,890        | -  | 335,890                               |
| Departmental                         | 76,433         | -  | 76,433                                |
| Deferred Property Taxes              | 190,030        | -  | 190,030                               |
| Tax Liens                            | 232,117        | -  | 232,117                               |
| Excises                              | 65,447         | -  | 65,447                                |
| Special Assessments                  | -              | 27,557                                   | 27,557                                |
| Tax Foreclosures                     | 44,257         | -  | 44,257                                |
| Intergovernmental                    | -              | 342,068                                  | 342,068                               |
| Total Liabilities                    | 1,280,052      | 819,656                                  | 2,099,708                             |
| Fund Equity:                         |                |  |                                       |
| Fund Balances:                       |                |  |                                       |
| Nonspendable                         | -              | 2,343,237                                | 2,343,237                             |
| Restricted                           | -              | 3,173,614                                | 3,173,614                             |
| Committed                            | 654,523        | 24,919                                   | 679,442                               |
| Assigned                             | 80,937         | 661,685                                  | 742,622                               |
| Unassigned                           | 3,210,243      | (133,086)                                | 3,077,157                             |
| Total Fund Balances                  | 3,945,703      | 6,070,369                                | 10,016,072                            |
| Total Liabilities and Fund Balances  | \$ 5,225,755   | \$ 6,890,025                             | \$ 12,115,780                         |



Town of Groton, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2012

|  | <u>General</u>      | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|--|---------------------|--|---------------------------------------|
| <u>Revenues:</u>   |                     |  |                                       |
| Property Taxes   | \$ 24,362,104       | \$ 534,076                               | \$ 24,896,180                         |
| Excises  | 1,341,664           | -  | 1,341,664                             |
| Penalties and Interest   | 127,798             | -  | 127,798                               |
| Licenses and Permits   | 239,705             | 160,661                                  | 400,366                               |
| Intergovernmental  | 928,605             | 1,440,753                                | 2,369,358                             |
| Fees and Other Departmental  | 427,141             | 57,537                                   | 484,678                               |
| Charges for Services   | 612,395             | 266,321                                  | 878,716                               |
| Fines and Forfeits   | 41,476              | -  | 41,476                                |
| Earnings on Investments  | 29,823              | 151,257                                  | 181,080                               |
| In Lieu of Taxes   | 206,481             | -  | 206,481                               |
| Contributions  | -                   | 182,862                                  | 182,862                               |
| Miscellaneous  | 4,857               | 33,946                                   | 38,803                                |
| Total Revenues   | <u>28,322,049</u>   | <u>2,827,413</u>                         | <u>31,149,462</u>                     |
| <u>Expenditures:</u>   |                     |  |                                       |
| General Government   | 2,020,408           | 364,965                                  | 2,385,373                             |
| Public Safety  | 3,232,723           | 613,240                                  | 3,845,963                             |
| Education  | 16,249,425          | 13,423                                   | 16,262,848                            |
| Intergovernmental  | 75,469              | -  | 75,469                                |
| Highways and Public Works  | 1,739,630           | 502,479                                  | 2,242,109                             |
| Human Services   | 226,660             | 98,070                                   | 324,730                               |
| Culture and Recreation   | 1,403,506           | 651,424                                  | 2,054,930                             |
| Employee Benefits  | 2,255,223           | -  | 2,255,223                             |
| Debt Service:  |                     |  |                                       |
| Principal  | 626,646             | 320,400                                  | 947,046                               |
| Interest   | 229,156             | 178,763                                  | 407,919                               |
| Total Expenditures   | <u>28,058,846</u>   | <u>2,742,764</u>                         | <u>30,801,610</u>                     |
| Excess of Revenues Over (Under) Expenditures                                     | <u>263,203</u>      | <u>84,649</u>                            | <u>347,852</u>                        |
| Other Financing Sources (Uses):  |                     |  |                                       |
| Operating Transfers In   | 152,700             | 514,100                                  | 666,800                               |
| Operating Transfers (Out)  | (102,100)           | (564,700)                                | (666,800)                             |
| Total Other Financing Sources (Uses)   | <u>50,600</u>       | <u>(50,600)</u>                          | <u>-</u>                              |
| Excess of Revenues and Other Sources Over<br>(Under) Expenditures and Other Uses | <u>313,803</u>      | <u>34,049</u>                            | <u>347,852</u>                        |
| Fund Balance, Beginning  | 3,631,900           | 6,036,320                                | 9,668,220                             |
| Fund Balance, Ending   | <u>\$ 3,945,703</u> | <u>\$ 6,070,369</u>                      | <u>\$ 10,016,072</u>                  |

Town of Groton, Massachusetts  
 Reconciliation of the Governmental Funds Balance Sheet  
 Total Fund Balances to the Statement of Net Assets  
 Fiscal Year Ended June 30, 2012

|  |    |             |
|--|----|-------------|
| Total governmental fund balances   | \$ | 10,016,072  |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.      |    | 40,564,501  |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.     |    | 1,269,542   |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds |    |             |
| Bonds Payable  |    | (9,523,013) |
| Deferred Gain on Refinance of Bond   |    | (112,403)   |
| Accrued Interest on Bonds  |    | (222,029)   |
| Landfill Accrued Liability   |    | (677,618)   |
| Leasing Payable  |    | (35,910)    |
| Other Post Employment Benefit Obligations  |    | (2,056,322) |
| Compensated Absences   |    | (340,510)   |
|  |    | (9,523,013) |
| Net assets of governmental activities  | \$ | 38,882,310  |

Town of Groton, Massachusetts  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 Fiscal Year Ended June 30, 2012

|   |                            |
|---|----------------------------|
| Net change in fund balances - total governmental funds  | \$ 347,852                 |
| 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. This is the amount by which depreciation exceeded capital outlays in the current period.   | 497,577                    |
| In the governmental funds, the disposal of capital assets is reported, whereas in the statement of activities, the sale is not reported.  | 1,824                      |
| Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.  | (46,022)                   |
| The issuance of long-term debt (e.g., bonds, landfill, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 957,736                    |
| Some expenses reported in the Statement of Activities, such as compensated absences and other postemployment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in the compensated absences liability and other post employment benefits.  | <u>(534,780)</u>           |
| Change in net assets of governmental activities   | <u><u>\$ 1,224,187</u></u> |

Town of Groton, Massachusetts

Proprietary Funds

Statement of Net Assets

June 30, 2012

(Except for the Electric Enterprise Activity, Which is as of December 31, 2011)

Business - Type Activities

Enterprise Fund

|   | Enterprise Fund                      |                     |                     | <u>Total</u>         |
|---|--------------------------------------|---------------------|---------------------|----------------------|
|   | <u>Electric Light<br/>Department</u> | <u>Sewer</u>        | <u>Water</u>        |                      |
| <b>Assets</b>                                     |                                      |                     |                     |                      |
| Current:  |                                      |                     |                     |                      |
| Cash and Cash Investments                         | \$ 2,929,093                         | \$ 908,549          | \$ 274,732          | \$ 4,112,374         |
| Receivables, Net of Allowance for Uncollectibles: |                                      |                     |                     |                      |
| User Charges                                      | 1,140,320                            | 35,399              | 51,637              | 1,227,356            |
| Special Assessments                               | -                                    | 4,105               | -                   | 4,105                |
| Interest  | 1,437                                | -                   | -                   | 1,437                |
| Materials and Supplies                            | 457,168                              | -                   | -                   | 457,168              |
| Prepaid Expenses                                  | 959,983                              | -                   | -                   | 959,983              |
| Noncurrent:                                       |                                      |                     |                     |                      |
| Investments                                       | 1,915,959                            | -                   | -                   | 1,915,959            |
| Receivables:                                      |                                      |                     |                     |                      |
| Deferred Special Assessments                      | -                                    | 391,831             | -                   | 391,831              |
| Other Assets                                      | 120,389                              | -                   | -                   | 120,389              |
| Assets Not Being Depreciated                      | 1,674,190                            | -                   | 730,597             | 2,404,787            |
| Assets Being Depreciated, Net                     | 6,062,518                            | 4,755,319           | 12,962,502          | 23,780,339           |
| <b>Total Assets</b>                               | <b>15,261,057</b>                    | <b>6,095,203</b>    | <b>14,019,468</b>   | <b>35,375,728</b>    |
| <b>Liabilities</b>                                |                                      |                     |                     |                      |
| Current:  |                                      |                     |                     |                      |
| Warrants Payable                                  | 983,654                              | 4,635               | 18,801              | 1,007,090            |
| Interest on Bonds Payable                         | -                                    | 7,931               | 66,483              | 74,414               |
| Bonds Payable                                     | 42,500                               | 28,870              | 252,736             | 324,106              |
| Other Accrued Liabilities                         | 232,422                              | -                   | -                   | 232,422              |
| Noncurrent:                                       |                                      |                     |                     |                      |
| Customer Deposits                                 | 230,751                              | -                   | -                   | 230,751              |
| Bonds Payable                                     | 265,660                              | 377,635             | 3,925,780           | 4,569,075            |
| Deferred Gain on Refinance of Bond                | 13,584                               | -                   | -                   | 13,584               |
| Other Accrued Liabilities                         | 1,681,965                            | -                   | -                   | 1,681,965            |
| Other Post Employment Benefit Obligations         | 296,962                              | 10,277              | 100,312             | 407,551              |
| <b>Total Liabilities</b>                          | <b>3,747,498</b>                     | <b>429,348</b>      | <b>4,364,112</b>    | <b>8,540,958</b>     |
| <b>Net Assets</b>                                 |                                      |                     |                     |                      |
| Invested in Capital Assets, Net of Related Debt   | 7,428,548                            | 4,405,319           | 9,514,583           | 21,348,450           |
| Restricted for:                                   |                                      |                     |                     |                      |
| Debt Service                                      | 308,160                              | 570,109             | -                   | 878,269              |
| Unrestricted                                      | 3,776,851                            | 690,427             | 140,773             | 4,608,051            |
| <b>Total Net Assets</b>                           | <b>\$ 11,513,559</b>                 | <b>\$ 5,665,855</b> | <b>\$ 9,655,356</b> | <b>\$ 26,834,770</b> |

Town of Groton, Massachusetts  
Statement of Revenue, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Fiscal Year Ended June 30, 2012  
(Except for the Electric Activity, Which is for Year Ended December 31, 2011)

|  | Business - Type Activities             |                     |                     |                      |
|--|--|---------------------|---------------------|----------------------|
|  | Enterprise Funds                       |                     |                     |                      |
|  | Electric<br>Light<br><u>Department</u> | <u>Sewer</u>        | <u>Water</u>        | <u>Total</u>         |
| Operating Revenues:  |  |                     |                     |                      |
| Charges for Services   | \$ 9,248,253                           | \$ 668,463          | \$ 1,088,169        | \$ 11,004,885        |
| Other Operating  | 389,977                                | 16,419              | -                   | 406,396              |
| Intergovernmental  | -                                      | 59                  | 23,172              | 23,231               |
| Total Operating Revenues   | <u>9,638,230</u>                       | <u>684,941</u>      | <u>1,111,341</u>    | <u>11,434,512</u>    |
| Operating Expenditures:  |  |                     |                     |                      |
| Personal Services  | 717,600                                | 19,205              | 257,363             | 994,168              |
| Nonpersonal Service  | 7,495,037                              | 591,432             | 381,234             | 8,467,703            |
| Maintenance  | 754,626                                | -                   | -                   | 754,626              |
| Depreciation   | 312,794                                | 147,260             | 397,779             | 857,833              |
| Total Operating Expenditures   | <u>9,280,057</u>                       | <u>757,897</u>      | <u>1,036,376</u>    | <u>11,074,330</u>    |
| Operating Income   | <u>358,173</u>                         | <u>(72,956)</u>     | <u>74,965</u>       | <u>360,182</u>       |
| Nonoperating Revenues (Expenses):                                    |  |                     |                     |                      |
| Loss on Disposal of Capital Assets                                   | (53,707)                               | -                   | -                   | (53,707)             |
| Disaster Recovery Income, Net  | (34,160)                               | -                   | -                   | (34,160)             |
| Intergovernmental  | 3,520                                  | -                   | -                   | 3,520                |
| Income Earned under Contracts  | 136,027                                | -                   | -                   | 136,027              |
| Earnings on Investments  | 38,332                                 | 2,285               | 37,211              | 77,828               |
| Interest on Debt   | (10,574)                               | (17,238)            | (172,321)           | (200,133)            |
| Total Nonoperating Revenues (Expenses)                               | <u>79,438</u>                          | <u>(14,953)</u>     | <u>(135,110)</u>    | <u>(70,625)</u>      |
| Net Income   | <u>437,611</u>                         | <u>(87,909)</u>     | <u>(60,145)</u>     | <u>289,557</u>       |
| Total Net Assets July 1, 2011  | <u>11,034,640</u>                      | <u>5,869,655</u>    | <u>9,715,501</u>    | <u>26,619,796</u>    |
| Add (Deduct) Current Period Adjustment to<br>Unappropriated Earnings | <u>41,308</u>                          | <u>-</u>            | <u>-</u>            | <u>41,308</u>        |
| Prior Year Adjustment  | <u>-</u>                               | <u>(115,891)</u>    | <u>-</u>            | <u>(115,891)</u>     |
| Total Net Assets July 1, 2011, as Restated                           | <u>11,075,948</u>                      | <u>5,753,764</u>    | <u>9,715,501</u>    | <u>26,545,213</u>    |
| Total Net Assets June 30, 2012                                       | <u>\$ 11,513,559</u>                   | <u>\$ 5,665,855</u> | <u>\$ 9,655,356</u> | <u>\$ 26,834,770</u> |

Town of Groton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2012  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2011)  
(Continued on Page 20)

|   | Business - Type Activities |                   |                   | <u>Total</u>        |
|---|----------------------------|-------------------|-------------------|---------------------|
|   | Enterprise Funds           |                   |                   |                     |
|   | <u>Electric</u>            | <u>Sewer</u>      | <u>Water</u>      |                     |
| <b>Cash Flows from Operating Activities:</b>                                  |                            |                   |                   |                     |
| Receipts from Customers   | \$ 9,663,744               | \$ 716,257        | \$ 1,063,200      | \$ 11,443,201       |
| Receipts from Government  | -                          | 59                | -                 | 59                  |
| Payments to Employees   | (1,069,662)                | (19,205)          | (257,363)         | (1,346,230)         |
| Payments to Vendors   | (7,510,620)                | (584,647)         | (364,179)         | (8,459,446)         |
| Rents from Electric Property  | 153,421                    | -                 | -                 | 153,421             |
| Net Cash Flows Provided (Used) by Operating Activities                        | <u>1,236,883</u>           | <u>112,464</u>    | <u>441,658</u>    | <u>1,791,005</u>    |
| <b>Cash Flows from Non Capital Related Financing Activities:</b>              |                            |                   |                   |                     |
| Payments in Lieu of Taxes   | (30,000)                   | -                 | -                 | (30,000)            |
| Disaster Recovery Costs   | (207,888)                  | -                 | -                 | (207,888)           |
| Net Cash Flows Provided (Used) by Non<br>Capital Related Financing Activities | <u>(237,888)</u>           | <u>-</u>          | <u>-</u>          | <u>(237,888)</u>    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>              |                            |                   |                   |                     |
| Acquisition of Capital Assets   | (680,717)                  | -                 | (48,400)          | (729,117)           |
| Proceeds from Sales of Capital Assets   | 13,970                     | -                 | -                 | 13,970              |
| Customer Advances for Construction  | 71,308                     | -                 | -                 | 71,308              |
| Change in Accumulated Provision for Insurance                                 | 1,165                      | -                 | -                 | 1,165               |
| Grant Income  | 3,520                      | -                 | -                 | 3,520               |
| Principal Payments on Notes and Bonds   | (42,500)                   | (144,603)         | (246,367)         | (433,470)           |
| Interest Expense  | (18,320)                   | (18,167)          | (115,982)         | (152,469)           |
| Net Cash Flows Provided (Used) by Capital<br>and Related Financing Activities | <u>(651,574)</u>           | <u>(162,770)</u>  | <u>(410,749)</u>  | <u>(1,225,093)</u>  |
| <b>Cash Flows from Investing Activities:</b>                                  |                            |                   |                   |                     |
| Earnings on Investments   | 30,007                     | 2,285             | 528               | 32,820              |
| Proceeds from Sales and Maturities of Investments                             | 850,821                    | -                 | -                 | 850,821             |
| Purchases of Investments  | (1,556,321)                | -                 | -                 | (1,556,321)         |
| Contribution to OPEB Trust Fund   | (200,000)                  | -                 | -                 | (200,000)           |
| Change in Rate Stabilization Reserve  | 14,594                     | -                 | -                 | 14,594              |
| Net Cash Flows Provided (Used) by Investing Activities                        | <u>(860,899)</u>           | <u>2,285</u>      | <u>528</u>        | <u>(858,086)</u>    |
| Net Increase (Decrease) in Cash and Cash Equivalents                          | (513,478)                  | (48,021)          | 31,437            | (530,062)           |
| Cash and Cash Equivalents, July 1, 2011                                       | 3,442,571                  | 956,570           | 243,295           | 4,642,436           |
| Cash and Cash Equivalents, June 30, 2012                                      | <u>\$ 2,929,093</u>        | <u>\$ 908,549</u> | <u>\$ 274,732</u> | <u>\$ 4,112,374</u> |

Town of Groton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2012  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2011)  
(Continued from Page 19)

|   | Business - Type Activities<br>Enterprise Funds |                   |                   | <u>Total</u>        |
|---|--|-------------------|-------------------|---------------------|
|   | <u>Electric</u>                                | <u>Sewer</u>      | <u>Water</u>      |                     |
| Reconciliation of Net Income to Net Cash Provided (Used) by |  |                   |                   |                     |
| Operating Activities:                                       |  |                   |                   |                     |
| Operating Income (Loss)                                     | 358,173  | (72,956)          | 74,965            | 360,182             |
| Adjustments to Reconcile Operating Income to Net Cash       |  |                   |                   |                     |
| Provided (Used) by Operating Activities:                    |  |                   |                   |                     |
| Depreciation Expense  | 312,794  | 147,260           | 397,779           | 857,833             |
| Noncash Income Earned Under Contracts                       | 224,227  | -                 | -                 | 224,227             |
| (Increase) Decrease in Assets:                              |  |                   |                   |                     |
| Accounts Receivable   | 42,698   | 31,375            | (48,141)          | 25,932              |
| Material and Supplies                                       | 35,603   | -                 | -                 | 35,603              |
| Prepaid Expenses  | (3,028)  | -                 | -                 | (3,028)             |
| Purchased Power Prepayments and Working Capital             | (13,351)                                       | -                 | -                 | (13,351)            |
| Increase (Decrease) in Liabilities:                         |  |                   |                   |                     |
| Warrants and Accounts Payable                               | 4,478  | 3,907             | (946)             | 7,439               |
| Customer Deposits   | 17,390   | -                 | -                 | 17,390              |
| Other Accrued Expenses                                      | 121,587  | -                 | -                 | 121,587             |
| Other Post Employment Benefit Obligations                   | 136,312  | 2,878             | 18,001            | 157,191             |
| Net Cash Provided by Operating Activities                   | <u>\$ 1,236,883</u>                            | <u>\$ 112,464</u> | <u>\$ 441,658</u> | <u>\$ 1,791,005</u> |

Town of Groton, Massachusetts  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2012

|                           | Private<br>Purpose<br><u>Trust</u> | Agency<br><u>Funds</u> |
|---------------------------|------------------------------------|------------------------|
| <b>Assets</b>             |                                    |                        |
| Cash and Cash Investments | \$10,308,872                       | \$ 365,560             |
| Other Receivables         | -                                  | 29,087                 |
|                           | <hr/>                              | <hr/>                  |
| Total Assets              | 10,308,872                         | 394,647                |
|                           | <hr/>                              | <hr/>                  |
| <b>Liabilities</b>        |                                    |                        |
| Current:                  |                                    |                        |
| Other Liabilities         | -                                  | 394,647                |
|                           | <hr/>                              | <hr/>                  |
| Total Liabilities         | -                                  | 394,647                |
|                           | <hr/>                              | <hr/>                  |
| <b>Net Assets</b>         |                                    |                        |
| Expendable                | 2,042,632                          | -                      |
| Nonexpendable             | 8,266,240                          | -                      |
|                           | <hr/>                              | <hr/>                  |
| Total Net Assets          | \$ 10,308,872                      | \$ -                   |
|                           | <hr/> <hr/>                        | <hr/> <hr/>            |



Town of Groton, Massachusetts  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Assets  
 Fiscal Year Ended June 30, 2012

|                                   | Private<br>Purpose<br><u>Trust</u> |
|-----------------------------------|------------------------------------|
| Additions (Reductions)            |                                    |
| Gifts                             | \$ 3,720                           |
| Interest, Dividends, and (Losses) | 509,586                            |
| Total Additions (Reductions)      | <u>513,306</u>                     |
| Deductions                        |                                    |
| Benefits Paid                     | <u>190,585</u>                     |
| Change in Net Assets              | <u>322,721</u>                     |
| Net Assets:                       |                                    |
| Beginning of the Year             | <u>9,986,151</u>                   |
| End of the Year                   | <u><u>\$ 10,308,872</u></u>        |

Town of Groton, Massachusetts  
Notes to the Financial Statements  
June 30, 2012 (December 31, 2011 Electric  
Enterprise Fund)

I. Reporting Entity

The accompanying financial statements present the financial position of the Town of Groton as of June 30, 2012. The report includes all the services provided by the Town to its residents and businesses within its boundaries. Municipal services provided include education, public safety, recreation, public works, library and general administration. Criteria used in determining the scope of the reporting entity included the Town's ability to significantly influence operations, selection of governing authority, designation of management, financial interdependency and accountability for fiscal matters. All operations of the Town that meet the preceding criteria are included in the reporting entity.

II. Summary of Significant Accounting Policies

The accounting policies of the Town of Groton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2012 conform to generally accepted accounting principles for local government units, except as indicated hereafter, as amended by Statement 1, Governmental Accounting and Financial Reporting Principles, issued by the National Council on Governmental Accounting. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The more significant accounting policies of the Town are summarized below.

(A) Government-wide and fund financial statements

The **government-wide financial statements** (i.e., the **statement of net assets** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial

statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental fund:

**General Fund** – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund.

The Town reports the following proprietary funds:

**Water Fund** – This fund is used to account for the activities related to the water distribution system.

**Sewer Fund** – This fund is used to account for sewer activities.

**Electric Light** – This fund is used to account for the Town’s electric light operations.

(C) Budgetary Data

i) General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until April, which is when the annual Town meeting is held, to make any changes to the department requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

ii) Budget Basis of Accounting

The budget amounts appearing in the financial statements are taken from the Town's annual recap sheet and include only those amounts which pertain to June 30, 2012. The budget amounts include special Town meeting votes applicable to June 30, 2012 and any reserve fund transfers authorized by the Finance Committee.

The expenditures on this statement are presented on a budgetary Non-GAAP basis. The difference between GAAP (Generally Accepted Accounting Principles) and Non-GAAP presentation is as follows:

|  | <u>Revenues</u>             |
|--|-----------------------------|
| As Reported Budget Basis                                 | \$ 28,762,596               |
| Adjustments:   |                             |
| Sixty Day Property Tax Accrual - Net                     | 48,130                      |
| Fringe Benefits Reimbursement from Other Funds           |                             |
| Reported as Other Departmental Revenue on Budget Basis   | (597,923)                   |
| On Behalf Payments Included in Intergovernmental         | 15,955                      |
| Earning Income of Stabilization Reported in Statement of |                             |
| Revenues, Expenditures, and Changes in Fund Balances     | 93,291                      |
| As Reported GAAP Statement                               | <u><u>\$ 28,322,049</u></u> |
|  |                             |
|  | <u>Expenditures</u>         |
| As Reported Budget Basis                                 | \$ 28,492,275               |
| Adjustments:   |                             |
| July 1, 2011 Encumbrances                                | 378,599                     |
| June 30, 2012 Encumbrances                               | (230,060)                   |
| Fringe Benefits Reimbursement from Other Funds           |                             |
| Reported as Employee Benefits on Budget Basis            | (597,923)                   |
| On Behalf Payments Included in Employee Benefits         | 15,955                      |
| As Reported GAAP Statement                               | <u><u>\$ 28,058,846</u></u> |

(D) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs (which do not add to the value of the asset or materially extend assets lives) is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>  | <u>Years</u> |
|----------------|--------------|
| Buildings      | 40-50        |
| Equipment      | 5-15         |
| Improvements   | 20-40        |
| Infrastructure | 40-50        |
| Vehicles       | 5-15         |

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

|  | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending</u><br><u>Balance</u> |
|--|------------------------------------|------------------|-------------------|---------------------------------|
| Governmental Activities:                   |                                    |                  |                   |                                 |
| Land                                       | \$ 27,449,164                      | \$ -             | \$ -              | \$ 27,449,164                   |
| Construction in Progress                   | 502,259                            | 160,799          | (91,525)          | 571,533                         |
| Total Capital Assets Not Being Depreciated | <u>27,951,423</u>                  | <u>160,799</u>   | <u>(91,525)</u>   | <u>28,020,697</u>               |
| Assets Being Depreciated:                  |                                    |                  |                   |                                 |
| Buildings                                  | 13,378,892                         | 74,736           | -                 | 13,453,628                      |
| Improvements Other Than Buildings          | 408,000                            | 286,507          | -                 | 694,507                         |
| Infrastructure                             | 11,886,835                         | 40,300           | -                 | 11,927,135                      |
| Equipment                                  | 1,523,562                          | 531,449          | (25,000)          | 2,030,011                       |
| Vehicles                                   | 3,683,833                          | 502,189          | (101,808)         | 4,084,214                       |
| Total Capital Assets Being Depreciated     | <u>30,881,122</u>                  | <u>1,435,181</u> | <u>(126,808)</u>  | <u>32,189,495</u>               |

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|
| Less Accumulated Depreciation for:          |                              |                   |                     |                           |
| Buildings                                   | (5,304,992)                  | (336,640)         | -                   | (5,641,632)               |
| Improvements Other Than Buildings           | (99,857)                     | (38,393)          | -                   | (138,250)                 |
| Infrastructure                              | (10,024,380)                 | (266,016)         | -                   | (10,290,396)              |
| Equipment                                   | (964,867)                    | (111,761)         | 25,000              | (1,051,628)               |
| Vehicles                                    | (2,373,349)                  | (242,568)         | 92,132              | (2,523,785)               |
| Total Accumulated Depreciation              | <u>(18,767,445)</u>          | <u>(995,378)</u>  | <u>117,132</u>      | <u>(19,645,691)</u>       |
| Capital Assets Being Depreciated, Net       | <u>12,113,677</u>            | <u>439,803</u>    | <u>(9,676)</u>      | <u>12,543,804</u>         |
| Governmental Activities Capital Assets, Net | <u>\$ 40,065,100</u>         | <u>\$ 600,602</u> | <u>\$ (101,201)</u> | <u>\$ 40,564,501</u>      |

Depreciation expense was charged to functions as follows:

Governmental Activities:

|                           |                |
|---------------------------|----------------|
| General Government        | \$ 104,482     |
| Public Safety             | 297,110        |
| Education                 | 31,744         |
| Highways and Public works | 400,475        |
| Human Services            | 53,174         |
| Culture and Recreation    | <u>108,393</u> |

Total Governmental Activities Depreciation Expense \$ 995,378

Business-Type Activities:

|  |                  |                |                  |                  |
|--|------------------|----------------|------------------|------------------|
| Land                                       | \$ 1,461,276     | \$ 25,000      | \$ -             | \$ 1,486,276     |
| Construction in Progress                   | 884,012          | 198,800        | (164,301)        | 918,511          |
| Total Capital Assets not Being Depreciated | <u>2,345,288</u> | <u>223,800</u> | <u>(164,301)</u> | <u>2,404,787</u> |

Assets Being Depreciated:

|  |                   |                |                  |                   |
|--|-------------------|----------------|------------------|-------------------|
| Distribution Plant                     | 8,775,919         | 223,364        | (52,888)         | 8,946,395         |
| General Plant                          | 1,650,525         | 369,147        | (150,527)        | 1,869,145         |
| Buildings                              | 2,623,389         | -              | -                | 2,623,389         |
| Improvements Other Than Buildings      | 154,806           | -              | -                | 154,806           |
| Infrastructure                         | 21,858,734        | -              | (448)            | 21,858,286        |
| Equipment                              | 598,410           | -              | -                | 598,410           |
| Vehicles                               | 99,557            | 23,400         | (24,000)         | 98,957            |
| Total Capital Assets Being Depreciated | <u>35,761,340</u> | <u>615,911</u> | <u>(227,863)</u> | <u>36,149,388</u> |

|  | Beginning<br><u>Balance</u> | <u>Additions</u>   | <u>Reductions</u>   | Ending<br><u>Balance</u> |
|--|-----------------------------|--------------------|---------------------|--------------------------|
| Less Accumulated Depreciation for:           |                             |                    |                     |                          |
| Distribution Plant                           | (4,180,592)                 | (263,279)          | 52,888              | (4,390,983)              |
| General Plant                                | (463,050)                   | (49,516)           | 150,527             | (362,039)                |
| Buildings                                    | (313,800)                   | (65,190)           | -                   | (378,990)                |
| Improvements Other Than Buildings            | (19,351)                    | (7,740)            | -                   | (27,091)                 |
| Infrastructure                               | (6,418,937)                 | (430,411)          | 448                 | (6,848,900)              |
| Equipment                                    | (253,019)                   | (37,903)           | -                   | (290,922)                |
| Vehicles                                     | (90,329)                    | (3,795)            | 24,000              | (70,124)                 |
| Total Accumulated Depreciation               | <u>(11,739,078)</u>         | <u>(857,834)</u>   | <u>227,863</u>      | <u>(12,369,049)</u>      |
| Capital Assets Being Depreciated, Net        | <u>24,022,262</u>           | <u>(241,923)</u>   | <u>-</u>            | <u>23,780,339</u>        |
| Business Type Activities Capital Assets, Net | <u>\$ 26,367,550</u>        | <u>\$ (18,123)</u> | <u>\$ (164,301)</u> | <u>\$ 26,185,126</u>     |

Depreciation expense was charged to functions as follows:

|   |                   |
|---|-------------------|
| Business-type Activities:                           |                   |
| Electric  | \$ 312,795        |
| Sewer   | 147,260           |
| Water   | 397,779           |
| Total Business-type Activities Depreciation Expense | <u>\$ 857,834</u> |

(E) Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement (effective for fiscal year 2011) establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below.

**1. Nonspendable**, includes amounts that cannot be spent because (a) they are not spendable form (such as fund balance associated with inventories) (b) they are legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).

**2. Restricted**, constraints on the use of resources for specific purposes are imposed (a) by creditors, grantors or contributors, or (b) by law through constitutional provisions or through enabling legislation.

3. **Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Selectmen (the Town’s highest level of decision-making authority). Similar formal action by the Board of Selectmen is required in order to “reverse” the commitment.

4. **Assigned**, intentions (by the Board of Selectmen, Town Manager or Town Accountant) that resources are to be used by the government for specific purposes, but the restrictions do not meet the criteria necessary to be classified as restricted or committed.

5. **Unassigned**, the residual classification for the government’s general fund. It includes all spendable amounts not contained in the nonspendable, restricted, committed or assigned categories. A “positive” unassigned may only be displayed in the general fund.

The Board of Selectmen is the highest level of decision making authority in the Town. Committed fund balance cannot be used for any other purposes without formal vote taken by the Board of Selectmen.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it is considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town’s balance sheet.

|                              | <u>General Fund</u> | Non Major<br><u>Funds</u> | <u>Total</u>     |
|------------------------------|---------------------|---------------------------|------------------|
| Fund Balances:               |                     |                           |                  |
| <b>Nonspendable:</b>         |                     |                           |                  |
| Culture and Recreation       | \$ -                | \$ 2,343,237              | \$ 2,343,237     |
| <b>Total Nonspendable:</b>   | <u>-</u>            | <u>2,343,237</u>          | <u>2,343,237</u> |
| <br><b>Restricted for:</b>   |                     |                           |                  |
| General Government           | -                   | 1,071,183                 | 1,071,183        |
| Public Safety                | -                   | 733,512                   | 733,512          |
| Education                    | -                   | 3,390                     | 3,390            |
| Highways and Public Works    | -                   | 105,730                   | 105,730          |
| Human Services               | -                   | 115,454                   | 115,454          |
| Culture and Recreation       | -                   | 1,144,345                 | 1,144,345        |
| <b>Total Restricted for:</b> | <u>-</u>            | <u>3,173,614</u>          | <u>3,173,614</u> |



|                            | <u>General Fund</u> | Non Major<br><u>Funds</u> | <u>Total</u>         |
|----------------------------|---------------------|---------------------------|----------------------|
| <b>Committed to:</b>       |                     |                           |                      |
| General Government         | 114,115             | 16,883                    | 130,998              |
| Public Safety              | 483,990             | 8,036                     | 492,026              |
| Culture and Recreation     | 56,418              | -                         | 56,418               |
| <b>Total Committed to:</b> | <u>654,523</u>      | <u>24,919</u>             | <u>679,442</u>       |
| <b>Assigned to:</b>        |                     |                           |                      |
| General Government         | 26,590              | 661,685                   | 688,275              |
| Public Safety              | 34,422              | -                         | 34,422               |
| Highways and Public Works  | 14,650              | -                         | 14,650               |
| Culture and Recreation     | 5,275               | -                         | 5,275                |
| <b>Total Assigned to:</b>  | <u>80,937</u>       | <u>661,685</u>            | <u>742,622</u>       |
| <b>Unassigned</b>          | <u>3,210,243</u>    | <u>(133,086)</u>          | <u>3,077,157</u>     |
| <b>Total Fund Balances</b> | <u>\$ 3,945,703</u> | <u>\$ 6,070,369</u>       | <u>\$ 10,016,072</u> |

### Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that “cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund”.

“The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth”.

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$1,575,155. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet.

(F) Assets, Liabilities and Fund Equity

i) Cash and Investments

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does have a formal deposit policy for custodial credit risk. As of June 30, 2012, \$3,696,252 of the Town's bank balance of \$6,775,212 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 3,696,252

Investments

According to GASB Statement No. 40 - "Deposit and Investment Risk Disclosures", disclosures must be made for certain investments that have fair values that are highly sensitive to changes in interest rates. As of June 30, 2012, the Town of Groton's investments that are required to be disclosed in accordance with GASB Statement No. 40, are noted below:

| <u>Investment Type</u>            | <u>Fair Value</u>    | <u>Investment Maturities (in Years)</u> |                     |                     |
|-----------------------------------|----------------------|---|---------------------|---------------------|
|                                   |                      | <u>Less Than 1</u>                      | <u>1-5</u>          | <u>5-10</u>         |
| U. S. Government Obligations      | \$ 1,355,669         | \$ 34,589                               | \$ 131,083          | \$ 1,189,997        |
| Corporation Bonds                 | 238,165              | -                                       | 138,663             | 99,502              |
| Certificate of Deposit            | 2,790,986            | 1,702,841                               | 1,088,145           | -                   |
| Equities                          | 11,160,371           | 11,160,371                              | -                   | -                   |
| State Treasurer's Investment Pool | <u>3,843,977</u>     | <u>3,843,977</u>                        | <u>-</u>            | <u>-</u>            |
| Total                             | <u>\$ 19,389,168</u> | <u>\$ 16,741,778</u>                    | <u>\$ 1,357,891</u> | <u>\$ 1,289,499</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town follows the legal listing set by the state to purchase its investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town has a formal policy for the trust funds that limits the amount it may invest in a single issuer (State law limits the amount that may be deposited in a financial institution without collateralization). Ten percent of the Town's investments are in U.S. Government Obligations.

ii) Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due on August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the property. In addition, the law limits the amount by which property tax assessments can be increased to 2.5% of the preceding year's assessment plus any new growth.

iii) Warrants Payable

This account consists of those warrants approved by the Town Accountant for payment between July 1 and July 15. These warrants have been recorded as expenditures during the current fiscal year and the corresponding credit is to the account entitled warrants payable.

(G) Interfund Transfers, Compensated Absences and Pension Plans

i) Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues nor expenditures of the funds.

Operating transfers - by fund - are detailed below:

|                        | Transfers<br><u>In</u> | Transfers<br><u>(Out)</u> | <u>Total</u> |
|------------------------|------------------------|---------------------------|--------------|
| General                | \$ 152,700             | \$ (102,100)              | \$ 50,600    |
| Non-Major Governmental | 514,100                | (564,700)                 | (50,600)     |
| Total                  | <u>\$ 666,800</u>      | <u>\$ (666,800)</u>       | <u>\$ -</u>  |

ii) Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave benefits. The liabilities have been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination.

iii) Pension Plans

(a) Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

(b) Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contributions for the years ending June 30, 2012, 2011 and 2010 were \$1,324,432, \$1,223,286 and \$1,179,553, respectively, equal to 100% of the required contribution each year.

(H) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2012. These statements require the town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information, which is required to be disclosed by GASB 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 45, is presented following the notes to the financial statements.

**Plan Description.** The Town sponsors a single employer defined benefit health plan. The Town provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefits paid by the Town are on a pay-as-you-go basis. Currently there are approximately 96 active employees and 58 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

**Funding Policy.** The Town pays 80% of the premiums for the active employees and 65% for the retirees for health insurance, and 50% of the premiums for both the active employees and retirees for life insurance, with the employees/retirees paying the remaining percentage. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

**Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Town’s annual OPEB cost for the fiscal year ended June 30, 2012, the amount actually contributed to the plan, and the Town’s Net OPEB Obligation (NOO):

|  |                           |
|--|---------------------------|
| Annual Required Contribution (ARC)           | \$903,505                 |
| Interest on Net OPEB Obligation              | 80,400                    |
| Adjustment to Annual Required Contribution   | <u>(111,768)</u>          |
| Annual OPEB Cost (Expense)                   | 872,137                   |
| Contributions Made                           | <u>(404,225)</u>          |
| Increase in Net OPEB Obligation              | 467,912                   |
| Net OPEB Obligation (NOO)- Beginning of Year | <u>2,010,009</u>          |
| Net OPEB Obligation (NOO)- End of Year       | <u><u>\$2,477,921</u></u> |
| <br>   |                           |
| Percentage of Annual OPEB Cost Contributed   | 46%                       |

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are shown below:

| <u>Fiscal Year</u><br><u>Ended June 30</u> | <u>Annual OPEB</u><br><u>Cost</u> | <u>Actual</u><br><u>Contributions</u><br><u>to the Plan</u> | <u>Percentage of</u><br><u>Annual OPEB</u><br><u>Cost</u><br><u>Contributed</u> | <u>Net OPEB</u><br><u>Obligation</u> |
|--|-----------------------------------|---|---|--------------------------------------|
| 2009                                       | \$832,604                         | \$173,139   | 21%   | \$659,465                            |
| 2010                                       | 858,983                           | 189,553   | 22%   | 1,326,453                            |
| 2011                                       | 885,760                           | 204,646   | 23%   | 2,010,009                            |
| 2012                                       | 872,137                           | 404,225   | 46%   | 2,477,921                            |

**Funded Status and Funding Progress.** As of June 30, 2012, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$7,150,656, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$7,150,656.

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

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

In the actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent. The actuarial value of any assets would be determined using market value. The UAAL is being amortized over a thirty year amortization period.

(I) On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance", the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town (for the school District's teachers) the Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2012, the Commonwealth paid \$15,955 to the State Plan on behalf of the Town. Accordingly, the accompanying financial statements include the required adjustments, which have increased both revenues and expenditures by the same amount. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2012, or fund balances at June 30, 2012.

III. Detailed Notes on All Funds (Continued)

(A) Assets

Accounts Receivable

The accounts receivable on the combined balance sheet are listed below by levy.

General Fund

Property Taxes Receivable:

|                         |                   |
|-------------------------|-------------------|
| Real Estate Taxes       |                   |
| 2012                    | \$ 347,078        |
| 2011                    | 29,938            |
| 2010                    | 155               |
| Rollback Taxes          | <u>4,228</u>      |
| Total Real Estate Taxes | <u>\$ 381,399</u> |

(A) Assets (Continued)

Personal Property Taxes

|      |            |
|------|------------|
| 2012 | 3,199      |
| 2011 | 403        |
| 2010 | 230        |
| 2007 | 762        |
| 2006 | 106        |
| 2005 | <u>277</u> |

Total Personal Property Taxes 4,977

CPA Preservation

|      |              |
|------|--------------|
| 2012 | 4,044        |
| 2011 | <u>1,071</u> |

Total CPA Preservation 5,115

Total Property Taxes Receivable \$ 391,491

Tax Liens \$ 232,117

Excise Taxes Receivable:

Motor Vehicle Excise Tax

|      |              |
|------|--------------|
| 2012 | \$110,422    |
| 2011 | 13,177       |
| 2010 | 5,678        |
| 2009 | 4,371        |
| 2008 | 3,602        |
| 2007 | 3,435        |
| 2006 | <u>4,508</u> |

Tax Excise Receivable \$ 145,193

Departmental - Ambulance \$ 76,433

Intergovernmental:

Due from Commonwealth of Massachusetts

|                           |                |
|---------------------------|----------------|
| Massachusetts Highway     | \$ 342,068     |
| Other Governmental Grants | <u>154,224</u> |

Total Intergovernmental \$ 496,292

Deferred Property Tax \$ 190,030



(A) Assets (Continued)

Special Assessments:  
Septic Betterments \$ 27,557

Enterprise Fund

Current:

User Charges

Electric \$ 1,140,320  
Sewer 35,399  
Water 51,637

Total User Charges \$ 1,227,356

Special Assessments:

Sewer - Current \$ 4,105  
Sewer - Noncurrent 391,831

Total Special Assessments \$ 395,936

(B) Liabilities

i Short Term Notes Payable

The Town had various short term notes outstanding during the fiscal year ended June 30, 2012, as follows:

| <u>Purpose</u>                                 | <u>Interest Rate</u> | <u>Balance Beginning of Year</u> | <u>Issued</u>     | <u>Redeemed</u>  | <u>Balance End of Year</u> | <u>Maturity Date</u> |
|--|----------------------|----------------------------------|-------------------|------------------|----------------------------|----------------------|
| <u>Governmental Activities:</u>                |                      |                                  |                   |                  |                            |                      |
| Feasibility Study of Lost Lake and West Groton | 0.85%                | \$ 200,000                       | \$ 100,000        | \$200,000        | \$ 100,000                 | 11/30/2012           |
| Sewerage Planning Design & EIR                 | 0.70%                | -                                | 350,000           | -                | 350,000                    | 2/15/2013            |
| Total Governmental                             |                      | <u>\$ 200,000</u>                | <u>\$ 450,000</u> | <u>\$200,000</u> | <u>\$ 450,000</u>          |                      |

ii Long Term Debt

General obligation bonds outstanding at June 30, 2012, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2012:

|                         | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u>         |
|-------------------------|--------------------------------|---------------------------------|----------------------|
| Balance 7/01/11         | \$10,585,950                   | \$ 5,210,760                    | \$ 15,796,710        |
| Less: Maturities        | (947,046)                      | (433,470)                       | (1,380,516)          |
| Reclassify Debt Payment | (115,891)                      | 115,891                         | -                    |
| Balance 6/30/12         | <u>\$ 9,523,013</u>            | <u>\$ 4,893,181</u>             | <u>\$ 14,416,194</u> |

(B) Liabilities

(b) Summary of Debt Service Requirements to Maturity

|           | <u>Governmental Activities</u> |                    | <u>Business-Type Activities</u> |                    |
|-----------|--------------------------------|--------------------|---------------------------------|--------------------|
|           | <u>Principal</u>               | <u>Interest</u>    | <u>Principal</u>                | <u>Interest</u>    |
| 2013      | \$1,073,364                    | \$372,392          | \$324,106                       | \$195,901          |
| 2014      | 1,074,769                      | 330,702            | 332,115                         | 181,761            |
| 2015      | 1,068,070                      | 290,416            | 336,267                         | 168,994            |
| 2016      | 1,078,070                      | 246,471            | 341,932                         | 155,779            |
| 2017      | 1,084,000                      | 197,428            | 352,207                         | 136,427            |
| 2018-2022 | 3,890,540                      | 406,810            | 1,858,823                       | 437,766            |
| 2023-2027 | <u>254,200</u>                 | <u>5,671</u>       | <u>1,347,731</u>                | <u>67,500</u>      |
|           | <u>\$9,523,013</u>             | <u>\$1,849,890</u> | <u>\$4,893,181</u>              | <u>\$1,344,128</u> |

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2012, are summarized as follows:

| <u>Date Authorized</u> | <u>Purpose</u>  | <u>Amount</u>      |
|------------------------|---|--------------------|
| October 18, 2010       | Light Department: New Office<br>and Garage Facilities | \$2,000,000        |
| October 17, 2011       | Sewerage Planning Design & EIR                        | \$350,000          |
| April 30, 2012         | Design for New Fire Station                           | <u>800,000</u>     |
|                        | Total   | <u>\$3,150,000</u> |

(d) Refunding of Long Term Debt

On November 1, 2010, the Town issued \$3,655,000 of General Obligations Refunding Bonds with an average interest rate of 1.65% to advance refund \$3,875,000 of outstanding debt with average interest rates of 2.87% and 2.61%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased.

| <u>Fiscal Year</u> | <u>Existing<br/>Debt<br/>Principal<br/>&amp; Interest</u> | <u>Refunding<br/>Bonds<br/>Principal<br/>&amp; Interest</u> |
|--------------------|---|---|
| 2013               | \$657,454   | \$607,950   |
| 2014               | 633,413   | 578,175   |
| 2015               | 594,519   | 539,000   |
| 2016               | 570,619   | 518,000   |
| 2017               | 551,769   | 477,800   |
| 2018-2022          | <u>937,620</u>  | <u>864,250</u>  |
|                    | <u>\$3,945,394</u>  | <u>\$3,585,175</u>  |

Economic Gain from Refunding Issue

The total net present value benefit as a result of the refunding issues is \$336,751.

IV. Significant Commitments

Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose.

V. Subsequent Year Authorizations

The Town (including the water and sewer enterprise fund) adopted a fiscal 2013 operating and capital budget of \$34,139,667. Fiscal 2013 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

|   |                      |
|---|----------------------|
| Property Taxes, State Aid<br>and Non-Property Tax Revenue | \$ 29,292,113        |
| Enterprise and Community Preservation Funds               | 2,421,354            |
| Other Available Funds                                     | 2,426,200            |
|   | <u>\$ 34,139,667</u> |

VI. Landfill Closure and Post Closure Care Costs

As of June 30, 2012, the closure of the Town's landfill was effectively complete. In accordance with laws and regulations issued by the Massachusetts Department of Environmental Protection, the Town has capped the landfill. These laws also require the Town to perform certain maintenance and monitoring functions at the site for thirty years after the landfill is capped and closed. The Town estimates the closure and post closure care costs to be approximately \$700,000. The potential exists for changes to the estimates due to inflation or deflation, technology or applicable laws and regulations.

VII. Prior Period Adjustment

A prior period adjustment (\$115,891) was made, (to the government wide financial statements) that relates to sewer construction debt that was recorded in the long term debt group, but was paid out of the sewer fund.

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

Town of Groton, Massachusetts  
Required Supplementary Information  
General Fund  
Statement of Revenues and Expenditures - Budget and Actual  
Fiscal Year Ended June 30, 2012

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Budgetary<br/>Amounts</u> | Variance with<br>Final Budget |
|--|-------------------------|-------------------|---|-------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |   | Positive<br>(Negative)        |
| <u>Revenues</u>  |                         |                   |   |                               |
| Property Taxes   | \$ 24,718,075           | \$ 24,229,516     | \$ 24,331,595                           | \$ 102,079                    |
| Excises  | 1,200,000               | 1,200,000         | 1,324,043                               | 124,043                       |
| Penalties, Interest and Fees   | 85,000                  | 85,000            | 127,798                                 | 42,798                        |
| Licenses and Permits   | 275,000                 | 275,000           | 239,705                                 | (35,295)                      |
| Other Departmental   | 880,000                 | 880,000           | 1,025,064                               | 145,064                       |
| Intergovernmental  | 748,958                 | 748,958           | 843,448                                 | 94,490                        |
| Charges for Services   | 704,850                 | 704,850           | 612,395                                 | (92,455)                      |
| Fines and Forfeits   | 50,000                  | 50,000            | 41,476                                  | (8,524)                       |
| Earnings on Investments  | 20,000                  | 20,000            | 5,734                                   | (14,266)                      |
| In Lieu of Taxes   | 208,178                 | 208,178           | 206,481                                 | (1,697)                       |
| Miscellaneous  | -                       | -                 | 4,857                                   | 4,857                         |
| Total Revenues   | <u>28,890,061</u>       | <u>28,401,502</u> | <u>28,762,596</u>                       | <u>361,094</u>                |
| <u>Expenditures</u>  |                         |                   |   |                               |
| General Government   | 2,093,714               | 2,251,660         | 2,082,528                               | 169,132                       |
| Public Safety  | 2,943,489               | 3,090,406         | 3,008,591                               | 81,815                        |
| Education  | 16,503,655              | 16,233,471        | 16,233,470                              | 1                             |
| Highway and Public Works   | 1,755,387               | 1,775,178         | 1,754,280                               | 20,898                        |
| Health and Human Services  | 215,034                 | 255,347           | 226,660                                 | 28,687                        |
| Culture and Recreation   | 1,403,335               | 1,456,895         | 1,402,329                               | 54,566                        |
| Intergovernmental  | 74,989                  | 74,989            | 75,469                                  | (480)                         |
| Employee Benefits  | 2,996,922               | 2,931,922         | 2,853,146                               | 78,776                        |
| Debt Service:  |                         |                   |   |                               |
| Principal  | 626,646                 | 626,646           | 626,646                                 | -                             |
| Interest   | 229,156                 | 229,156           | 229,156                                 | -                             |
| Total Expenditures   | <u>28,842,327</u>       | <u>28,925,670</u> | <u>28,492,275</u>                       | <u>433,395</u>                |
| Excess (Deficiency) Of Revenues Over Expenditures  | <u>47,734</u>           | <u>(524,168)</u>  | <u>270,321</u>                          | <u>794,489</u>                |
| <u>Other Financing Sources (Uses):</u>   |                         |                   |   |                               |
| Transfers In   | 146,000                 | 196,000           | 202,700                                 | 6,700                         |
| Transfers Out  | (103,120)               | (403,120)         | (402,100)                               | 1,020                         |
| Free Cash and Other Available Funds  | 15,350                  | 837,252           | 837,252                                 | -                             |
| Other Uses   | (105,964)               | (105,964)         | (105,964)                               | -                             |
| Total Other Financing Sources (Uses)   | <u>(47,734)</u>         | <u>524,168</u>    | <u>531,888</u>                          | <u>7,720</u>                  |
| Excess (Deficiency) of Revenues and Other<br>Financing Sources Over (Under) Expenditures and<br>Other Uses | <u>\$ -</u>             | <u>\$ -</u>       | <u>\$ 802,209</u>                       | <u>\$ 802,209</u>             |

Middlesex County Retirement System  
 Required Supplementary Information  
 Schedule of Funding Progress

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets<br>(A) | Actuarial Accrued<br>Liability (AAL)<br>Entry Age (B) | Unfunded AAL<br>(UAAL)<br>(B-A) | Funded<br>Ration<br>(A/B) | Covered Payroll<br>(C) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((B-A)/C) |
|--------------------------------|-------------------------------------|---|---------------------------------|---------------------------|------------------------|--|
| 1/1/1996                       | \$ 373,750,361                      | \$ 634,920,488  | \$ 261,170,127                  | 58.87%                    | \$ 218,345,024         | 119.61%  |
| 1/1/1998                       | 476,708,969                         | 763,093,878   | 286,384,909                     | 62.47%                    | 215,380,186            | 132.97%  |
| 1/1/2000                       | 570,263,467                         | 905,280,472   | 335,017,005                     | 62.99%                    | 253,228,818            | 132.30%  |
| 1/1/2002                       | 599,699,143                         | 1,020,828,178   | 421,129,035                     | 58.75%                    | 280,740,439            | 150.01%  |
| 1/1/2004                       | 618,163,380                         | 1,223,828,127   | 605,664,747                     | 50.51%                    | 306,025,949            | 197.91%  |
| 1/1/2006                       | 653,156,866                         | 1,364,582,969   | 711,426,103                     | 47.86%                    | 330,999,861            | 214.93%  |
| 1/1/2008                       | 774,863,669                         | 1,529,806,307   | 754,942,638                     | 50.65%                    | 360,206,302            | 209.59%  |
| 1/1/2010                       | 819,987,914                         | 1,743,581,707   | 923,593,793                     | 47.03%                    | 384,933,571            | 239.94%  |

Middlesex County Retirement System  
 Required Supplementary Information  
 Schedule of Employer's Contribution

| System Wide                       |                                  |                                |                           | Town of Groton                 |  |
|-----------------------------------|----------------------------------|--------------------------------|---------------------------|--------------------------------|--|
| Plan Year<br>Ended<br>December 31 | Annual Required<br>Contributions | Actual<br>Contributions<br>(A) | Percentage<br>Contributed | Actual<br>Contributions<br>(B) | Town's<br>Percentage of<br>System Wide<br>Actual<br>Contributions<br>(B/A) |
| 2001                              | \$ 27,900,209                    | \$ 27,900,209                  | 100.00%                   | \$ 315,639                     | 1.13%  |
| 2002                              | 30,248,147                       | 30,248,147                     | 100.00%                   | 331,931                        | 1.10%  |
| 2003                              | 35,411,500                       | 35,411,500                     | 100.00%                   | 375,967                        | 1.06%  |
| 2004                              | 52,902,366                       | 52,902,366                     | 100.00%                   | 544,691                        | 1.03%  |
| 2005                              | 52,298,150                       | 52,298,150                     | 100.00%                   | 778,861                        | 1.49%  |
| 2006                              | 60,169,717                       | 60,169,717                     | 100.00%                   | 833,966                        | 1.39%  |
| 2007                              | 64,664,829                       | 64,664,829                     | 100.00%                   | 926,763                        | 1.43%  |
| 2008                              | 72,050,318                       | 72,050,318                     | 100.00%                   | 1,040,723                      | 1.44%  |
| 2009                              | 78,212,121                       | 78,212,121                     | 100.00%                   | 1,136,369                      | 1.45%  |

Required Supplementary Information - GASB 45

Town of Groton, Massachusetts

Schedule of Funding Progress

Fiscal Year Ended June 30, 2012

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a) / (b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>[(b) - (a) / (c)] |
|--------------------------------|--|--|--|------------------------------|---------------------------|---|
| 7/1/2008                       | \$0                                    | \$7,225,122                                    | \$7,225,122                            | 0%                           | \$5,501,062               | 131%  |
| 7/1/2011                       | \$0                                    | \$7,150,656                                    | \$7,150,656                            | 0%                           | \$6,138,275               | 116%  |



Required Supplementary Information - GASB 45

Town of Groton, Massachusetts

Valuation Details

Fiscal Year Ended June 30, 2012

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|                        |                                   |
|------------------------|-----------------------------------|
| Valuation Date         | July 1, 2011                      |
| Actuarial Cost Method  | Projected Unit Credit             |
| Amortization Method    | Open 30-year level dollar basis   |
| Asset Valuation Method | Not applicable - plan is unfunded |

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**Actuarial Assumptions:**

|                              |   |
|------------------------------|---|
| Investment Rate of Return    | 4.0%  |
|                              | 8.5% in fiscal 2012, decreasing 0.5%<br>each year to an ultimate rate of 5.0% per<br>year in fiscal 2019 and beyond |
| Medical/Drug Cost Trend Rate |   |

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Plan Membership:

|   |            |
|---|------------|
| Current retirees, beneficiaries, and dependents | 58         |
| Current active members                          | <u>96</u>  |
| Total   | <u>154</u> |

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Town of Groton, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2012

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

1. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information. The schedules presented relate to the Middlesex Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

3. Actuarial Assumptions

|  |  |
|--|--|
| <b>Valuation Date</b>  | January 1, 2010  |
| <b>Actuarial Cost Method</b>   | Entry age normal cost method.  |
| <b>Amortization Method</b>   | Level dollar for the 2002, and 2003 Early Retirement Incentives (ERI) and increasing amortization for the remaining unfunded liability.  |
| <b>Remaining Amortization Period</b>   | As of July 1, 2010, 9 years remaining for the 2002 ERI liability; 10 years remaining for the 2003 ERI liability; and 25 years for the remaining unfunded liability.                  |
| <b>Asset Valuation Method</b>  | The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40. |
| <b>Actuarial Assumptions:</b>  |  |
| Investment Rate of Return  | 8.15% (previously 8.25%)   |
| Projected Salary Increases   | 4.75% for Group 1 and 5.25% for Group 4  |
| Cost of Living Adjustments   | 3.00% of the first \$12,000 of retirement income, increasing to \$13,000 on July 1, 2011 and to \$14,000 on July 1, 2012   |
| <b>Plan Membership:</b>  |  |
| Retired Participants and Beneficiaries Receiving Benefits                    | 4,833  |
| Inactive Participants Entitled to a Return of their Employee Contributions   | 3,147  |
| Invested Participants with a Vested Right to a Deferred or Immediate Benefit | 283  |
| Active Participants  | <u>9,093</u>   |
| Total  | <u>17,356</u>  |

(C) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2012. These statements require the town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information, which is required to be disclosed by GASB 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 45, is presented following the notes to the financial statements.

**Plan Description.** The Town sponsors a single employer defined benefit health plan. The Town provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefits paid by the Town are on a pay-as-you-go basis. Currently there are approximately 96 active employees and 58 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

**Funding Policy.** The Town pays 80% of the premiums for the active employees and 65% for the retirees for health insurance, and 50% of the premiums for both the active employees and retirees for life insurance, with the employees/retirees paying the remaining percentage. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

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

Board of Selectmen  
Town of Groton  
173 Main Street  
Groton, MA 01450

We have audited the basic financial statements of the Town of Groton as of and for the year ended June 30, 2012, and have issued our report thereon dated December 11, 2012. 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.

Internal Control Over Financial Reporting

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

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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Groton's 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*.

We noted certain other matters that we reported to management of the Town of Groton, in a separate letter dated December 11, 2012.

The report is intended solely for the information and use of management, the Board of Selectmen and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
December 11, 2012