

**TOWN OF GROTON, MASSACHUSETTS**

**Financial Statements**

**June 30, 2016**

**and Electric Light Enterprise Fund as of December 31, 2015**

**(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, 2016  
and Electric Light Enterprise Fund as of December 31, 2015  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Groton, Massachusetts as of and for the year ended June 30, 2016 (December 31, 2015 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 which financial statements reflect total assets and revenues constituting 49 percent and 83 percent, respectively, of the business type activities.. 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.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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. The financial statements of the Electric Light Department was not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, 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, 2016 (and the Groton Electric Light Enterprise Fund as of December 31, 2015) 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.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reported dated February 27, 2017, on our consideration of the Town of Groton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Groton's internal control over financial reporting and compliance.

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
Georgetown, Massachusetts  
February 27, 2017

**Town of Groton, Massachusetts  
Management’s Discussion and Analysis  
Required Supplementary Information  
June 30, 2016**

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, 2016.

**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 Position 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, 2016 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 \$52,102,686 (*net position*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,555,717, or 14% of total general fund expenditures.
- The Town of Groton, Massachusetts’ total debt decreased by (\$1,810,729) during the current year. The decrease was the result of the principal payments.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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, Electric Light and Cable Access. 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 four 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, Electric Light and Cable Access (listed as "Other" in the financial statements) 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, Electric Light and Cable Access operations.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds to account for activities related to charitable trust funds and for its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

## **Notes to the Financial Statements**

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

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Groton, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

## **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 Position. 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 Position.
- 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 Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position 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 position.

	<b>Net Position</b>					
	<b>June 30</b>					
	<b><u>Governmental</u></b> <b><u>Activities</u></b>		<b><u>Business-type</u></b> <b><u>Activities</u></b>		<b><u>Totals</u></b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 15,492,217	\$ 13,628,749	\$ 7,132,004	\$ 8,954,319	\$ 22,624,221	\$ 22,583,068
Capital Assets	49,897,481	49,168,682	30,481,470	28,751,555	80,378,951	77,920,237
Total Assets	<u>65,389,698</u>	<u>62,797,431</u>	<u>37,613,474</u>	<u>37,705,874</u>	<u>103,003,172</u>	<u>100,503,305</u>
Deferred Outflows of Resources	981,146	121,214	226,594	2,847	1,207,740	124,061
Other Liabilities	4,667,415	2,154,734	1,692,190	2,204,790	6,359,605	4,359,524
Long Term Liabilities	32,491,980	32,404,789	10,401,441	10,833,043	42,893,421	43,237,832
Total Liabilities	<u>37,159,395</u>	<u>34,559,523</u>	<u>12,093,631</u>	<u>13,037,833</u>	<u>49,253,026</u>	<u>47,597,356</u>
Deferred Inflows of Resources	260,296	70,252	2,594,904	2,147,098	2,855,200	2,217,350
Net Position:						
Net Investment in Capital Assets	37,731,344	35,615,598	24,987,217	22,836,408	62,718,561	58,452,006
Restricted	5,606,217	7,579,491	586,838	1,876,241	6,193,055	9,455,732
Unrestricted	(14,386,408)	(14,906,219)	(2,422,522)	(2,188,859)	(16,808,930)	(17,095,078)
Total Net Position	<u>\$ 28,951,153</u>	<u>\$ 28,288,870</u>	<u>\$ 23,151,533</u>	<u>\$ 22,523,790</u>	<u>\$ 52,102,686</u>	<u>\$ 50,812,660</u>

The net position of the Town (including prior period adjustments) increased by \$1,290,026. The net position of the governmental activities increased by \$662,283 or 2%, and the net position of the business-type activities increased by \$627,743 or 2%.

### Changes in Net Position

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

	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Totals</u></b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,826,067	\$ 2,004,739	\$ 11,781,515	\$ 11,618,526	\$ 13,607,582	\$ 13,623,265
Operating Grants and Contributions	1,915,490	1,625,281	104,657	81,365	2,020,147	1,706,646

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Revenues:						
Property Taxes	29,586,134	28,447,221	-	-	29,586,134	28,447,221
Motor Vehicle and Other Excises	1,799,839	1,617,111	-	-	1,799,839	1,617,111
Intergovernmental Not Restricted to a Specific Program	779,194	778,470	-	-	779,194	778,470
Other	478,327	477,452	-	-	478,327	477,452
<b>Total Revenues</b>	<b>36,385,051</b>	<b>34,950,274</b>	<b>11,886,172</b>	<b>11,699,891</b>	<b>48,271,223</b>	<b>46,650,165</b>
<b>Expenses</b>						
General Government	3,102,826	3,446,808	-	-	3,102,826	3,446,808
Public Safety	4,664,312	4,189,649	-	-	4,664,312	4,189,649
Education	18,900,889	18,303,704	-	-	18,900,889	18,303,704
Highways and Public Works	2,342,924	2,734,358	-	-	2,342,924	2,734,358
Human Services	352,201	344,967	-	-	352,201	344,967
Culture and Recreation	1,622,236	2,014,397	-	-	1,622,236	2,014,397
Fringe Benefits	3,483,716	3,151,982	-	-	3,483,716	3,151,982
Interest on Debt Service	346,672	342,118	-	-	346,672	342,118
Debt Issuance Costs	-	34,143	-	-	-	34,143
Electric	-	-	9,951,176	9,813,570	9,951,176	9,813,570
Sewer	-	-	742,522	820,244	742,522	820,244
Water	-	-	1,278,400	1,281,741	1,278,400	1,281,741
Other	-	-	193,323	-	193,323	-
<b>Total Expenses</b>	<b>34,815,776</b>	<b>34,562,126</b>	<b>12,165,421</b>	<b>11,915,555</b>	<b>46,981,197</b>	<b>46,477,681</b>
Increase (Decrease) in Net Position Before Special Items	1,569,275	388,148	(279,249)	(215,664)	1,290,026	172,484
Special Items	(906,992)	-	906,992	-	-	-
Increase (Decrease) in Net Position	<u>\$ 662,283</u>	<u>\$ 388,148</u>	<u>\$ 627,743</u>	<u>\$ (215,664)</u>	<u>\$ 1,290,026</u>	<u>\$ 172,484</u>

### Governmental Activities

In fiscal year 2016, property taxes accounted for approximately 81% of the revenues.

### Business-type Activities

Water, Sewer, Electric Light and Cable Access rates are structured to cover all costs related to each activity.

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

### Governmental Funds

The focus of the Town of Groton, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Groton, Massachusetts's financing requirements. In particular, unassigned fund balance may service as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Groton, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Groton, Massachusetts' Selectmen.

**General Fund** – The year-end fund balances of the general fund was \$1,162,531 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>
2007	\$423,188	\$200	\$0	\$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>
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
2013	-	308,269	77,309	3,711,113	4,096,691	1,316,409
2014	-	510,881	106,327	3,279,021	3,896,229	1,181,587
2015	13,271	778,161	118,625	3,551,544	4,461,601	1,009,092
2016	8,751	902,159	97,505	4,555,717	5,564,132	1,219,850

The fiscal year 2016 and 2015 fund balances include \$1,913,569 and \$1,775,151 respectively, which represents the Town's stabilization fund balance that 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, 2016, amounts to \$80,378,951 (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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and Construction in Progress	\$ 29,021,261	\$ 28,850,955	\$ 2,111,257	\$ 5,774,529	\$ 31,132,518	\$ 34,625,484
Distribution Plant	-	-	5,260,393	4,775,839	5,260,393	4,775,839
General Plant	-	-	6,473,664	1,826,077	6,473,664	1,826,077
Buildings	6,785,927	7,023,267	1,983,641	2,048,831	8,769,568	9,072,098
Improvements Other Than Buildings	605,556	698,572	96,754	104,494	702,310	803,066
Infrastructure	10,388,922	9,811,127	14,342,712	14,016,153	24,731,634	23,827,280
Equipment	1,114,340	875,014	166,280	173,313	1,280,620	1,048,327
Vehicles	1,981,475	1,909,747	46,769	32,319	2,028,244	1,942,066
Total	<u>\$ 49,897,481</u>	<u>\$ 49,168,682</u>	<u>\$ 30,481,470</u>	<u>\$ 28,751,555</u>	<u>\$ 80,378,951</u>	<u>\$ 77,920,237</u>

## Debt

The Town had \$17,722,491 in general obligation bonds, outstanding on June 30, 2016. This represents a (\$1,810,729) decrease or 9% from the previous year.

### General Obligation Bonds Payable at June 30

	<u>2016</u>	<u>2015</u>
<b>Governmental Activities</b>	<u>\$ 12,187,738</u>	<u>\$ 13,573,522</u>
<b>Business-type Activities</b>		
Electric	2,123,552	2,244,845
Sewer	290,500	319,550
Water	3,120,701	3,395,303
Total Business Type Activities	<u>5,534,753</u>	<u>5,959,698</u>
Total Debt	<u>\$ 17,722,491</u>	<u>\$ 19,533,220</u>

During fiscal year 2015, Standard and Poor’s rating services raised the Town’s general obligation debt rating to AAA from the previous rating of AA+. The upgrade follows a review of the Town’s financial policies and practices, which have been determined to be strong, well embedded, and likely sustainable.

## Fiscal Year 2016 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 2016 budget.

### **Request for Information**

This financial report is designated to provide a general overview of the Town of Groton, Massachusetts' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Groton  
173 Main Street  
Groton, MA 01450

Town of Groton, Massachusetts  
Statement of Net Position  
June 30, 2016  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2015)  
(Continued on Page 12)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
<b>Assets</b>			
Current:			
Cash/Investments	\$ 13,548,358	\$ 1,877,167	\$ 15,425,525
Receivables:			
Property Taxes	372,327	-	372,327
Tax Liens	514,279	-	514,279
Excises	166,797	-	166,797
Interest	-	474	474
User Charges	-	1,211,699	1,211,699
Departmental	240,507	8,826	249,333
Intergovernmental	495,879	-	495,879
Special Assessment Liens	11,348	2,312	13,660
Materials and Supplies	-	504,751	504,751
Prepaid Expenses	-	1,010,164	1,010,164
Noncurrent:			
Investments	-	1,710,592	1,710,592
Deferred Property Taxes	142,722	-	142,722
Deferred Special Assessments	-	258,151	258,151
Other Receivable	-	19,500	19,500
Other Assets	-	1,556	1,556
Select Energy Fund	-	526,812	526,812
Capital Assets:			
Assets Not Being Depreciated	29,021,261	2,111,257	31,132,518
Assets Being Depreciated, Net	20,876,220	28,370,213	49,246,433
Total Assets	<u>65,389,698</u>	<u>37,613,474</u>	<u>103,003,172</u>
Deferred Outflows of Resources			
Deferral on Refunding Issue	60,463	-	60,463
Pension	920,683	226,594	1,147,277
Total Deferred Outflows of Resources	<u>981,146</u>	<u>226,594</u>	<u>1,207,740</u>
<b>Liabilities</b>			
Current:			
Warrants Payable	219,328	1,021,867	1,241,195
Accrued Salaries Payable	181,911	-	181,911
Lease Payable	32,531	-	32,531
Due to Individuals	49,354	-	49,354
Landfill Liability	10,000	-	10,000
Accrued Interest	90,577	26,869	117,446
Bonds Payable	1,396,714	437,207	1,833,921
Other Accrued Liabilities	-	206,247	206,247
Bond Anticipation Notes Payable	2,687,000	-	2,687,000

Town of Groton, Massachusetts  
Statement of Net Position  
June 30, 2016  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2015)  
(Continued from Page 11)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Noncurrent:			
Bonds Payable	10,791,024	5,097,546	15,888,570
Deferred Gain on Refinance of Bond	-	144,008	144,008
Customer Deposit	-	242,378	242,378
Lease Payable	6,331	-	6,331
Other Accrued Liabilities	-	129,015	129,015
Compensated Absences	393,000	30,561	423,561
Landfill Liability	628,998	-	628,998
Net Pension Liability	16,290,293	4,130,028	20,420,321
Other Post Employment Benefit Obligations	4,382,334	627,905	5,010,239
Total Liabilities	<u>37,159,395</u>	<u>12,093,631</u>	<u>49,253,026</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Gain on Refinance of Bond	56,202	3,685	59,887
Contribution in Aid of Construction	-	651,716	651,716
Reserve for Rate Stabilization	-	1,397,143	1,397,143
Pension	204,094	526,812	730,906
Reserve for Select Energy	-	15,548	15,548
Total Deferred Inflows of Resources	<u>260,296</u>	<u>2,594,904</u>	<u>2,855,200</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	37,731,344	24,987,217	62,718,561
Restricted for:			
Capital Projects	(2,044,505)	184,434	(1,860,071)
Debt Service	-	402,404	402,404
Gifts, Grants and Other Statutory Restrictions	3,657,550	-	3,657,550
Permanent Funds:			
Expendable	882,060	-	882,060
Nonexpendable	3,111,112	-	3,111,112
Unrestricted (Deficit)	<u>(14,386,408)</u>	<u>(2,422,522)</u>	<u>(16,808,930)</u>
Total Net Position	<u>\$ 28,951,153</u>	<u>\$ 23,151,533</u>	<u>\$ 52,102,686</u>

Town of Groton, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2016  
(Except for the Electric Activity, Which is for Year Ended December 31, 2015)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>							
General Government	\$ 3,102,826	\$ 164,209	\$ 410,007	\$ -	\$ (2,528,610)	\$ -	\$ (2,528,610)
Public Safety	4,664,312	892,896	422,595	-	(3,348,821)	-	(3,348,821)
Education	18,900,889	-	-	-	(18,900,889)	-	(18,900,889)
Highways and Public Works	2,342,924	293,596	639,212	-	(1,410,116)	-	(1,410,116)
Human Services	352,201	12,462	137,114	-	(202,625)	-	(202,625)
Culture and Recreation	1,622,236	462,904	306,552	-	(852,780)	-	(852,780)
Interest on Debt Service	346,672	-	-	-	(346,672)	-	(346,672)
Fringe Benefits	3,483,716	-	10	-	(3,483,706)	-	(3,483,706)
Total Governmental Activities	<u>34,815,776</u>	<u>1,826,067</u>	<u>1,915,490</u>	<u>-</u>	<u>(31,074,219)</u>	<u>-</u>	<u>(31,074,219)</u>
<i>Business-Type Activities:</i>							
Electric	9,951,176	9,819,035	71,693	-	-	(60,448)	(60,448)
Sewer	742,522	560,525	2,753	-	-	(179,244)	(179,244)
Water	1,278,400	1,202,347	29,115	-	-	(46,938)	(46,938)
Other	193,323	199,608	1,096	-	-	7,381	7,381
Total Business-Type Activities	<u>12,165,421</u>	<u>11,781,515</u>	<u>104,657</u>	<u>-</u>	<u>-</u>	<u>(279,249)</u>	<u>(279,249)</u>
Total	<u>\$ 46,981,197</u>	<u>\$ 13,607,582</u>	<u>\$ 2,020,147</u>	<u>\$ -</u>	<u>(31,074,219)</u>	<u>(279,249)</u>	<u>(31,353,468)</u>
<i>General Revenues:</i>							
Property Taxes					29,586,134	-	29,586,134
Motor Vehicle and Other Excise Taxes					1,799,839	-	1,799,839
Penalties and Interest on Taxes					126,814	-	126,814
Other Taxes, Assessments and in Lieu Payments					235,070	-	235,070
Intergovernmental					779,194	-	779,194
Interest and Investment Income					128,474	-	128,474
Other Revenue					(12,031)	-	(12,031)
Contributions Capital Assets					(670,049)	670,049	-
Transfer In (Out)					(236,943)	236,943	-
Total General Revenues and Transfers					<u>31,736,502</u>	<u>906,992</u>	<u>32,643,494</u>
Change in Net Position					662,283	627,743	1,290,026
Net Position:							
Beginning of the Year					28,288,870	25,578,585	53,867,455
Prior Period Adjustment					-	(3,054,795)	(3,054,795)
Beginning of the Year, as Restated					<u>28,288,870</u>	<u>22,523,790</u>	<u>50,812,660</u>
End of the Year					<u>\$ 28,951,153</u>	<u>\$ 23,151,533</u>	<u>\$ 52,102,686</u>



Town of Groton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 5,616,315	\$ 7,932,043	\$ 13,548,358
Receivables:			
Property Taxes	372,327	-	372,327
Tax Liens	514,279	-	514,279
Excises	166,797	-	166,797
Deferred Property Taxes	142,722	-	142,722
Departmental	240,507	-	240,507
Intergovernmental	-	495,879	495,879
Special Assessments	-	11,348	11,348
Tax Foreclosures	44,258	-	44,258
Total Assets	<u>\$ 7,097,205</u>	<u>\$ 8,439,270</u>	<u>\$ 15,536,475</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants Payable	\$ 219,328	\$ -	\$ 219,328
Accrued Payroll Payable	80,004	101,907	181,911
Other Liabilities	5,208	44,146	49,354
Bonds Anticipation Notes Payable	-	2,687,000	2,687,000
Total Liabilities	<u>304,540</u>	<u>2,833,053</u>	<u>3,137,593</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>1,228,533</u>	<u>465,899</u>	<u>1,694,432</u>
Total Deferred Inflows of Resources	<u>1,228,533</u>	<u>465,899</u>	<u>1,694,432</u>
Fund Equity:			
Fund Balances:			
Nonspendable	-	3,111,112	3,111,112
Restricted	8,751	3,200,017	3,208,768
Committed	902,159	70,472	972,631
Assigned	97,505	803,222	900,727
Unassigned	4,555,717	(2,044,505)	2,511,212
Total Fund Balances	<u>5,564,132</u>	<u>5,140,318</u>	<u>10,704,450</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,097,205</u>	<u>\$ 8,439,270</u>	<u>\$ 15,536,475</u>

Town of Groton, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 28,845,414	\$ 631,092	\$ 29,476,506
Excises	1,791,622	-	1,791,622
Penalties and Interest	126,814	-	126,814
In Lieu of Taxes	235,069	-	235,069
Charges for Services	557,086	345,585	902,671
Fees and Other Departmental	382,207	53,108	435,315
Licenses and Permits	364,349	-	364,349
Fines and Forfeits	45,011	-	45,011
Earnings on Investments	128,474	243,345	371,819
Intergovernmental	951,002	1,365,051	2,316,053
Contributions	-	88,290	88,290
Miscellaneous	13,762	84,627	98,389
Total Revenues	<u>33,440,810</u>	<u>2,811,098</u>	<u>36,251,908</u>
<u>Expenditures:</u>			
General Government	2,427,093	567,147	2,994,240
Public Safety	3,866,282	2,230,843	6,097,125
Education	18,862,805	-	18,862,805
Highways and Public Works	1,895,115	632,787	2,527,902
Human Services	277,696	33,520	311,216
Culture and Recreation	1,456,009	64,322	1,520,331
Debt Service	1,267,703	493,250	1,760,953
Intergovernmental	81,969	-	81,969
Employee Benefits	2,464,959	200,000	2,664,959
Total Expenditures	<u>32,599,631</u>	<u>4,221,869</u>	<u>36,821,500</u>
Excess of Revenues Over (Under) Expenditures	<u>841,179</u>	<u>(1,410,771)</u>	<u>(569,592)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	461,900	200,548	662,448
Transfers (Out)	(200,548)	(698,843)	(899,391)
Total Other Financing Sources (Uses)	<u>261,352</u>	<u>(498,295)</u>	<u>(236,943)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,102,531</u>	<u>(1,909,066)</u>	<u>(806,535)</u>
Fund Balance, Beginning	4,461,601	7,049,384	11,510,985
Fund Balance, Ending	<u>\$ 5,564,132</u>	<u>\$ 5,140,318</u>	<u>\$ 10,704,450</u>

Town of Groton, Massachusetts  
 Reconciliation of the Governmental Funds Balance Sheet  
 Total Fund Balances to the Statement of Net Position  
 Fiscal Year Ended June 30, 2016

Total Governmental Fund Balances	\$	10,704,450
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		49,897,481
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,650,174
Net deferred outflows of Resources of Pension are not financial resources and, therefore, are not reported in the funds.		920,683
Net deferred outflows of Resources of Pension are not financial resources and, therefore, are not reported in the funds.		(204,094)
Refunding issues used in governmental fund, but deferred in governmental activities per GASB 65.		60,463
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds Payable		(12,187,738)
Deferred Gain on Refinance of Bond		(56,202)
Accrued Interest on Bonds		(90,577)
Landfill Accrued Liability		(638,998)
Leasing Payable		(38,862)
Other Post Employment Benefit Obligations		(4,382,334)
Net Pension Liability		(16,290,293)
Compensated Absences		(393,000)
		(28,951,153)
Net Position of Governmental Activities	\$	28,951,153

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (806,535)
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.	754,592
In the governmental funds, the disposal of capital assets is reported, whereas in the statement of activities, the sale is not reported.	(25,793)
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.	158,936
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,428,624
In the statement of activities, the net payment to the escrow agent in excess of the debt refunded is not reported, whereas in the governmental funds, the proceeds and payments are reported as other financing sources/uses.	4,077
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>(851,618)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 662,283</u></u>

Town of Groton, Massachusetts  
Proprietary Funds  
Statement of Net Position  
June 30, 2016  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2015)  
(Continued on Page 19)

	Business - Type Activities Enterprise Fund				
	Electric Light				
	<u>Department</u>	<u>Sewer</u>	<u>Water</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>					
Current:					
Cash and Cash Investments	\$ 404,603	\$ 767,899	\$ 460,430	\$ 244,235	\$ 1,877,167
Receivables, Net of Allowance for Uncollectibles:					
User Charges	1,076,311	24,903	110,485	-	1,211,699
Special Assessments	-	2,312	-	-	2,312
Interest	474	-	-	-	474
Materials and Supplies	504,751	-	-	-	504,751
Prepaid Expenses	1,010,164	-	-	-	1,010,164
Other	-	8,826	-	-	8,826
Noncurrent:					
Investments	1,710,592	-	-	-	1,710,592
Receivables:					
Deferred Special Assessments	-	258,151	-	-	258,151
Other	19,500	-	-	-	19,500
Other Assets	1,556	-	-	-	1,556
Select Energy Fund	526,812	-	-	-	526,812
Assets Not Being Depreciated	1,380,660	-	730,597	-	2,111,257
Assets Being Depreciated, Net	11,734,057	4,291,295	12,318,820	26,041	28,370,213
Total Assets	18,369,480	5,353,386	13,620,332	270,276	37,613,474
Deferred Outflows of Resources:					
Pension	156,454	7,304	43,104	19,732	226,594
<b>Liabilities</b>					
Current:					
Warrants Payable	1,004,728	1,256	15,366	517	1,021,867
Interest on Bonds Payable	-	2,942	23,927	-	26,869
Bonds Payable	122,350	29,050	285,807	-	437,207
Other Accrued Liabilities	206,247	-	-	-	206,247

Town of Groton, Massachusetts  
Proprietary Funds  
Statement of Net Position  
June 30, 2016  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2015)  
(Continued from Page 18)

	Business - Type Activities Enterprise Fund				<u>Total</u>
	Electric Light				
	<u>Department</u>	<u>Sewer</u>	<u>Water</u>	<u>Other</u>	
Noncurrent:					
Customer Deposits	242,378	-	-	-	242,378
Bonds Payable	2,001,202	261,450	2,834,894	-	5,097,546
Customer Advances for Construction	144,008	-	-	-	144,008
Other Accrued Liabilities	129,015	-	-	-	129,015
Compensated Absences	-	2,487	24,969	3,105	30,561
Net Pension Liability	3,220,558	69,619	820,346	19,505	4,130,028
Other Post Employment Benefit Obligations	379,513	43,032	196,013	9,347	627,905
Total Liabilities	7,449,999	409,836	4,201,322	32,474	12,093,631
Deferred Inflows of Resources:					
Deferred Gain on Refinance of Bond	3,685	-	-	-	3,685
Contribution in Aid of Construction	651,716	-	-	-	651,716
Reserve for Rate Stabilization	1,397,143	-	-	-	1,397,143
Reserve for Select Energy Fund	526,812	-	-	-	526,812
Pension	-	1,619	9,555	4,374	15,548
Total Deferred Inflows of Resources	2,579,356	1,619	9,555	4,374	2,594,904
<b>Net Position</b>					
Net Investment in Capital Assets	10,991,165	4,041,295	9,928,716	26,041	24,987,217
Restricted for:					
Restricted for Depreciation	184,434	-	-	-	184,434
Debt Service	-	402,404	-	-	402,404
Unrestricted (Deficit)	(2,679,020)	505,536	(476,157)	227,119	(2,422,522)
Total Net Position	\$ 8,496,579	\$ 4,949,235	\$ 9,452,559	\$ 253,160	\$ 23,151,533

Town of Groton, Massachusetts  
Statement of Revenue, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Fiscal Year Ended June 30, 2016  
(Except for the Electric Activity, Which is for Year Ended December 31, 2015)

	Business - Type Activities Enterprise Funds				
	Electric Light Department	Sewer	Water	Other	Total
Operating Revenues:					
Charges for Services	\$ 9,450,895	\$ 550,803	\$ 1,164,618	\$ 199,608	\$ 11,365,924
Other Operating	368,140	9,722	-	-	377,862
Intergovernmental	-	-	37,729	-	37,729
Total Operating Revenues	<u>9,819,035</u>	<u>560,525</u>	<u>1,202,347</u>	<u>199,608</u>	<u>11,781,515</u>
Operating Expenditures:					
Personal Services	256,385	45,658	282,366	115,002	699,411
Nonpersonal Service	8,421,245	531,342	487,240	73,881	9,513,708
Maintenance	806,581	-	-	-	806,581
Depreciation	357,715	156,171	403,577	4,440	921,903
Total Operating Expenditures	<u>9,841,926</u>	<u>733,171</u>	<u>1,173,183</u>	<u>193,323</u>	<u>11,941,603</u>
Operating Income	<u>(22,891)</u>	<u>(172,646)</u>	<u>29,164</u>	<u>6,285</u>	<u>(160,088)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental, Net	49,000	-	-	-	49,000
Earnings on Investments	22,693	2,753	29,115	1,096	55,657
Interest on Debt	<u>(77,250)</u>	<u>(9,351)</u>	<u>(105,217)</u>	<u>-</u>	<u>(191,818)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,557)</u>	<u>(6,598)</u>	<u>(76,102)</u>	<u>1,096</u>	<u>(87,161)</u>
Income Before Contributions and Transfers	<u>(28,448)</u>	<u>(179,244)</u>	<u>(46,938)</u>	<u>7,381</u>	<u>(247,249)</u>
Other Financing Sources (Uses):					
Payment in Lieu of Taxes	(32,000)	-	-	-	(32,000)
Contributions Capital Assets	-	-	661,213	8,836	670,049
Transfers In	-	-	-	236,943	236,943
Total Other Financing Sources (Uses)	<u>(32,000)</u>	<u>-</u>	<u>661,213</u>	<u>245,779</u>	<u>874,992</u>
Net Income (Loss)	<u>(60,448)</u>	<u>(179,244)</u>	<u>614,275</u>	<u>253,160</u>	<u>627,743</u>
Total Net Position July 1, 2015	<u>11,611,822</u>	<u>5,128,479</u>	<u>8,838,284</u>	<u>-</u>	<u>25,578,585</u>
Prior Year Adjustment	<u>(3,054,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,054,795)</u>
Total Net Position July 1, 2015, as Restated	<u>8,557,027</u>	<u>5,128,479</u>	<u>8,838,284</u>	<u>-</u>	<u>22,523,790</u>
Total Net Position June 30, 2016	<u>\$ 8,496,579</u>	<u>\$ 4,949,235</u>	<u>\$ 9,452,559</u>	<u>\$ 253,160</u>	<u>\$ 23,151,533</u>

Town of Groton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2016  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2015)  
(Continued on Page 22)

	Business - Type Activities				Total
	Enterprise Funds				
	Electric	Sewer	Water	Other	
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers	\$ 9,953,285	\$ 599,338	\$ 1,188,743	\$ 199,608	\$ 11,940,974
Receipts from Government	-	-	14,557	-	14,557
Payments to Employees	(1,962,292)	(45,083)	(283,861)	(111,897)	(2,403,133)
Payments to Vendors	(8,074,347)	(516,398)	(452,609)	(59,870)	(9,103,224)
Rents from Electric Property	123,233	-	-	-	123,233
Net Cash Flows Provided (Used) by Operating Activities	<u>39,879</u>	<u>37,857</u>	<u>466,830</u>	<u>27,841</u>	<u>572,407</u>
<b>Cash Flows from Non Capital Related Financing Activities:</b>					
Payments in Lieu of Taxes	(32,000)	-	-	-	(32,000)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(32,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,000)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition of Capital Assets	(1,902,908)	-	(57,216)	(21,645)	(1,981,769)
Customer Advances for Construction	(270,348)	-	-	-	(270,348)
Contribution in Aid of Construction	417,664	-	-	-	417,664
Grant Income	49,000	-	-	-	49,000
Principal Payments on Notes and Bonds	(118,280)	(29,050)	(274,602)	-	(421,932)
Interest Expense	(81,171)	(12,367)	(84,248)	-	(177,786)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,906,043)</u>	<u>(41,417)</u>	<u>(416,066)</u>	<u>(21,645)</u>	<u>(2,385,171)</u>
<b>Cash Flows from Investing Activities:</b>					
Earnings on Investments	16,493	2,753	1,507	1,096	21,849
Change in Rate Stabilization Reserve	(11,738)	-	-	-	(11,738)
Net Transfer from Operations	-	-	-	236,943	236,943
Transfer from Select Energy Fund	1,249,135	-	-	-	1,249,135
Net Cash Flows Provided (Used) by Investing Activities	<u>1,253,890</u>	<u>2,753</u>	<u>1,507</u>	<u>238,039</u>	<u>1,496,189</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(644,274)	(807)	52,271	244,235	(348,575)
Cash and Cash Equivalents, July 1, 2015	1,048,877	768,706	408,159	-	2,225,742
Cash and Cash Equivalents, June 30, 2016	<u>\$ 404,603</u>	<u>\$ 767,899</u>	<u>\$ 460,430</u>	<u>\$ 244,235</u>	<u>\$ 1,877,167</u>



Town of Groton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2016  
(Except for the Electric Enterprise Activity, Which is as of December 31, 2015)  
(Continued from Page 21)

	Business - Type Activities Enterprise Funds			<u>Other</u>	<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)	(22,891)	(172,646)	29,164	6,285	(160,088)
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation Expense	357,715	156,171	403,577	4,440	921,903
Rate Stabilization	11,738	-	-	-	11,738
Select Energy Fund	4,821	-	-	-	4,821
Insurance Reserve	322	-	-	-	322
(Increase) Decrease in Assets/Deferred Outflows of Resources					
Accounts Receivable	194,650	38,813	953	-	234,416
Material and Supplies	(34,783)	-	-	-	(34,783)
Prepaid Expenses	13,820	-	-	-	13,820
Purchased Power Prepayments and Working Capital	(32,059)	-	-	-	(32,059)
Deferred Outflows of Resources - Pensions	-	(7,093)	(40,468)	(19,732)	(67,293)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources					
Warrants and Accounts Payable	(492,043)	890	(7,084)	3,622	(494,615)
Customer Deposits	8,357	-	-	-	8,357
Other Accrued Expenses	6,356	-	-	-	6,356
Net Pension Liability	46,229	7,009	39,972	19,505	112,715
Deferred Inflows of Resources - Pensions	-	1,619	9,555	4,374	15,548
Other Post Employment Benefit Obligations	(22,353)	13,094	31,161	9,347	31,249
Net Cash Provided by Operating Activities	<u>\$ 39,879</u>	<u>\$ 37,857</u>	<u>\$ 466,830</u>	<u>\$ 27,841</u>	<u>\$ 572,407</u>

Town of Groton, Massachusetts  
Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2016

	Private Purpose <u>Trust</u>	Agency <u>Funds</u>
<b>Assets</b>		
Cash and Cash Investments	\$13,505,059	\$ 412,201
Other Receivables	-	26,089
	<hr/>	<hr/>
Total Assets	13,505,059	438,290
	<hr/>	<hr/>
<b>Liabilities</b>		
Current:		
Other Liabilities	-	438,290
	<hr/>	<hr/>
Total Liabilities	-	438,290
	<hr/>	<hr/>
<b>Net Position</b>		
Expendable	2,542,504	-
Nonexpendable	10,962,555	-
	<hr/>	<hr/>
Total Net Position	<u>\$ 13,505,059</u>	<u>\$ -</u>

Town of Groton, Massachusetts  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 Fiscal Year Ended June 30, 2016

	Private Purpose <u>Trust</u>
Additions (Reductions)	
Gifts	\$ 3,515
Interest, Dividends, and (Losses)	<u>875,079</u>
Total Additions (Reductions)	<u>878,594</u>
Deductions	
Benefits Paid	<u>215,442</u>
Change in Net Position	<u>663,152</u>
Net Position:	
Beginning of the Year	<u>12,841,907</u>
End of the Year	<u><u>\$ 13,505,059</u></u>

Town of Groton, Massachusetts  
Notes to the Financial Statements  
June 30, 2016 (December 31, 2015 Electric  
Enterprise Fund)

I. Reporting Entity

The accompanying financial statements present the financial position of the Town of Groton as of June 30, 2016. 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, 2016 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 Position** 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. Governmental 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.

### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

### (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 nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor governmental funds column on the governmental funds financial statements. The following types are funds that are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The 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.

**Cable Access (Listed as “Other” in the financial statements)** – This fund is used to account for the Town Cable Access operations.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trust capacity for others than cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

The private-purpose trust fund is used to account for trust agreements that exclusively benefit individuals, private organizations or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable trusts funds.

The agency fund is used to account for assets held in a purely custodial capacity.

(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, 2016. The budget amounts include special Town meeting votes applicable to June 30, 2016 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	\$ 34,026,312
Adjustments:	
Sixty Day Property Tax Accrual - Net	4,184
Fringe Benefits Reimbursement from Other Funds	
Reported as Other Departmental Revenue on Budget Basis	(698,084)
Earning Income of Stabilization Reported in Statement of Revenues, Expenditures, and Changes in Fund Balances	108,398
As Reported GAAP Statement	<u><u>\$ 33,440,810</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 33,427,759
Adjustments:	
July 1, 2015 Encumbrances	382,441
June 30, 2016 Encumbrances	(512,485)
Fringe Benefits Reimbursement from Other Funds	
Reported as Employee Benefits on Budget Basis	(698,084)
As Reported GAAP Statement	<u><u>\$ 32,599,631</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 acquisition 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

(E) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available" criteria. The government wide financial statements (statement of net position) reflect deferred outflows and deferred inflows of resources related to pension and deferred inflows of resources related to debt exclusions.

(F) Pensions

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

(G) Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

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

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 28,684,795	\$ 46,400	\$ -	\$ 28,731,195
Construction in Progress	241,160	183,562	(134,656)	290,066
Total Capital Assets Not Being Depreciated	<u>28,925,955</u>	<u>229,962</u>	<u>(134,656)</u>	<u>29,021,261</u>
Assets Being Depreciated:				
Buildings	13,660,174	120,000	-	13,780,174
Improvements Other Than Buildings	1,040,924	9,000	(32,238)	1,017,686
Infrastructure	20,457,458	948,851	-	21,406,309
Equipment	2,306,676	459,669	(65,095)	2,701,250
Vehicles	5,264,342	455,757	-	5,720,099
Total Capital Assets Being Depreciated	<u>42,729,574</u>	<u>1,993,277</u>	<u>(97,333)</u>	<u>44,625,518</u>
Less Accumulated Depreciation for:				
Buildings	(6,636,907)	(357,340)	-	(6,994,247)
Improvements Other Than Buildings	(342,353)	(76,225)	6,448	(412,130)
Infrastructure	(10,721,330)	(296,057)	-	(11,017,387)
Equipment	(1,483,587)	(159,582)	56,259	(1,586,910)
Vehicles	(3,302,670)	(435,954)	-	(3,738,624)
Total Accumulated Depreciation	<u>(22,486,847)</u>	<u>(1,325,158)</u>	<u>62,707</u>	<u>(23,749,298)</u>
Capital Assets Being Depreciated, Net	<u>20,242,727</u>	<u>668,119</u>	<u>(34,626)</u>	<u>20,876,220</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,168,682</u>	<u>\$ 898,081</u>	<u>\$ (169,282)</u>	<u>\$ 49,897,481</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 147,077
Public Safety	719,422
Education	38,084
Highways and Public works	234,910
Human Services	52,623
Culture and Recreation	133,042
Total Governmental Activities Depreciation Expense	<u>\$ 1,325,158</u>

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Business-Type Activities:</b>				
Land	\$ 1,486,276	\$ 463,523	\$ -	\$ 1,949,799
Construction in Progress	4,211,929	156,071	(4,206,542)	161,458
Total Capital Assets Not Being Depreciated	<u>5,698,205</u>	<u>619,594</u>	<u>(4,206,542)</u>	<u>2,111,257</u>
<b>Assets Being Depreciated:</b>				
Distribution Plant	9,803,430	727,231	(33,170)	10,497,491
General Plant	2,354,473	4,769,645	(347,780)	6,776,338
Buildings	2,623,388	-	-	2,623,388
Improvements Other Than Buildings	154,805	-	-	154,805
Infrastructure	22,185,631	692,939	-	22,878,570
Equipment	611,094	86,740	-	697,834
Vehicles	80,530	25,490	-	106,020
Total Capital Assets Being Depreciated	<u>37,813,351</u>	<u>6,302,045</u>	<u>(380,950)</u>	<u>43,734,446</u>
<b>Less Accumulated Depreciation for:</b>				
Distribution Plant	(5,027,591)	(242,677)	33,170	(5,237,098)
General Plant	(528,396)	(122,058)	347,780	(302,674)
Buildings	(574,557)	(65,190)	-	(639,747)
Improvements Other Than Buildings	(50,311)	(7,740)	-	(58,051)
Infrastructure	(8,094,478)	(441,380)	-	(8,535,858)
Equipment	(436,457)	(95,097)	-	(531,554)
Vehicles	(48,211)	(11,040)	-	(59,251)
Total Accumulated Depreciation	<u>(14,760,001)</u>	<u>(985,182)</u>	<u>380,950</u>	<u>(15,364,233)</u>
Capital Assets Being Depreciated, Net	<u>23,053,350</u>	<u>5,316,863</u>	<u>-</u>	<u>28,370,213</u>
Business Type Activities Capital Assets, Net	<u>\$ 28,751,555</u>	<u>\$ 5,936,457</u>	<u>\$ (4,206,542)</u>	<u>\$ 30,481,470</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric	\$ 357,715
Sewer	156,171
Water	403,577
Other	4,440
Total Business-Type Activities Depreciation Expense	<u>\$ 921,903</u>

(H) 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 in 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 only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision making authority that can vote, by article, to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise 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 <u>Funds</u>	<u>Total</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Culture and Recreation	\$ -	\$ 3,111,112	\$ 3,111,112
<b>Total Nonspendable:</b>	<u>-</u>	<u>3,111,112</u>	<u>3,111,112</u>
<b>Restricted for:</b>			
General Government	-	1,346,670	1,346,670
Public Safety	-	674,989	674,989
Highways and Public Works	-	16,273	16,273
Human Services	-	144,399	144,399
Culture and Recreation	-	1,017,686	1,017,686
Debt Services	8,751	-	8,751
<b>Total Restricted for:</b>	<u>8,751</u>	<u>3,200,017</u>	<u>3,208,768</u>
<b>Committed to:</b>			
General Government	275,292	66,837	342,129
Public Safety	189,847	3,635	193,482
Highways and Public Works	196,500	-	196,500
Human Services	40,000	-	40,000
Culture and Recreation	200,520	-	200,520
<b>Total Committed to:</b>	<u>902,159</u>	<u>70,472</u>	<u>972,631</u>

	<u>General Fund</u>	Non Major <u>Funds</u>	<u>Total</u>
<b>Assigned to:</b>			
General Government	36,488	803,212	839,700
Public Safety	18,334	-	18,334
Highways and Public Works	22,048	-	22,048
Human Services	1,389	-	1,389
Culture and Recreation	4,333	-	4,333
Employee Benefits	14,913	10	14,923
<b>Total Assigned to:</b>	<u>97,505</u>	<u>803,222</u>	<u>900,727</u>
<b>Unassigned</b>	<u>4,555,717</u>	<u>(2,044,505)</u>	<u>2,511,212</u>
<b>Total Fund Balances</b>	<u>\$ 5,564,132</u>	<u>\$ 5,140,318</u>	<u>\$ 10,704,450</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 \$1,913,569. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet.

(I) 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, 2016, \$70,729 of the Town's bank balance of \$8,189,210 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 70,729

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, 2016, 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	\$ 2,271,467	\$ -	\$ 967,241	\$ 1,304,226
Corporation Bonds	1,321,291	275,196	857,868	188,227
Money Markets	593,304	593,304	-	-
Certificate of Deposit	1,205,926	90,473	1,115,453	-
Equities	13,582,304	13,582,304	-	-
State Treasurer's Investment Pool	<u>2,668,711</u>	<u>2,668,711</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 21,643,003</u>	<u>\$ 17,209,988</u>	<u>\$ 2,940,562</u>	<u>\$ 1,492,453</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.

## Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

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



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

	<u>Total</u>	Fair Value Measurements Using		
		<u>Level 1</u> Quoted Prices in Active Markets for <u>Identical Assets</u>	<u>Level 2</u> Significant Other Observable <u>Inputs</u>	<u>Level 3</u> Significant Unobservable <u>Inputs</u>
Investment by Fair Value Level:				
U. S. Treasuries	\$ 2,271,467	\$ 2,271,467	\$ -	\$ -
Corporate Bonds	1,321,291	1,321,291	-	-
Common Stock				
Consumer Non-Durables	4,772,090	4,772,090	-	-
Capital Goods	1,226,430	1,226,430	-	-
Energy & Utilities	1,424,882	1,424,882	-	-
Products & Services	2,098,137	2,098,137	-	-
Financial	995,565	995,565	-	-
Other	3,065,200	3,065,200	-	-
Total Assets in the Fair Value Hierarchy	<u>17,175,062</u>	<u>17,175,062</u>	<u>-</u>	<u>-</u>
Investment Not Subject to Fair Value Hierarchy reporting:				
Certificates of Deposit	1,205,926			
Money Market and MMDT	3,262,015			
Total Investments	<u>\$ 21,643,003</u>			

The investments classified in Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities.

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.

(J) Interfund Transfers, Compensated Absences, Long Term Obligations, Estimates and Total Columns

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 <u>In</u>	Transfers <u>(Out)</u>	<u>Total</u>
General	\$ 461,900	\$ (200,548)	\$ 261,352
Non-Major Governmental	200,548	(698,843)	(498,295)
Enterprise Funds	236,943	-	236,943
Total	<u>\$ 899,391</u>	<u>\$ (899,391)</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) Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Issuance costs are reported as debt service expenditures.

iv) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Total Column

### Government-Wide Financial Statements

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

#### (K) Pension Plans

##### a. General Information about the Pension Plan

###### Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. 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 (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex County Retirement System issues a stand-alone financial report that is available to the public at:

<http://middlesexretirement.org/wp-content/uploads/2016/09/MCRS-Final-Audit-Report-12-31-15-Financial-Statements-and-GASB-67-68.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

###### Benefits Provided

The Middlesex County Retirement System provides retirement, disability and death benefits as detailed below:

###### Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and

multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired on or before April 1 2012</u>	
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired on after April 1 2012</u>	
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment

of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

#### Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

#### Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

#### Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse

will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

### Contributions

Active members of the Middlesex County 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 requirement of plan members is determined by M.G.L. Chapter 32. The contribution requirements are established by and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 25.22% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,737,842 for the year ending June 30, 2016.

b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of \$20,586,198 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportion was 1.595806%.

The portion of the Net Pension Liability and related GASB 68 pension amounts for the Town of Groton's Electric Light Enterprise Fund (GELD), are reflected in the GELD financial statements (which are reported as of December 31, 2015). However, the Net Pension Liability and related GASB 68 pension amounts are reflected here in the June 30, 2016 Notes to the Financial Statements.

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$15,000 effective July 1, 2014.

Costs related to the Town's pension assessment are charged to the Town's enterprise funds by way of direct or indirect charges. As a result the pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions were allocated to the enterprise funds.

For the year ended June 30, 2016, the Town recognized pension expense of \$2,018,501. Since the system performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2015. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements 67, 68 and 71. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net differences between projected and actual investment earnings on pension plan investments	1,049,738	-
Changes in proportion and differences between contributions and proportionate share of contributions	119,901	(259,283)
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,169,639</u>	<u>\$ (259,283)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2017	\$ 231,635
2018	231,635
2019	231,635
2020	215,451
Total	<u>\$ 910,356</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

<b>Valuation date</b>	January 1, 2014			
<b>Actuarial Cost Method</b>	Entry age normal cost method			
<b>Amortization Method</b>	Prior year's total contribution increased by 6.5% for fiscal year 2016 through fiscal year 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI Liability amortized in level payments.			
<b>Remaining Amortization Period</b>	As of July 1, 2014, 5 years remaining for the 2002 ERI liability; 6 years remaining for the 2003 ERI liability; 8 years remaining for the 2010 ERI liability and 21 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. Asset value is adjusted, as necessary, to be within 20% of market value.			
<b>Investment rate of return</b>	7.875% net of pension plan investment expense, including inflation (8% in previous valuation)			
<b>Discount Rate</b>	7.875% (previously 8.0%)			
<b>Inflation Rate</b>	4.00%			
<b>Projected Salary Increases</b>	Years of			
(The ultimate values in the previous valuation were	<u>Service</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
4.75% for Group 1 and 5.25% for Group 4)	0	6.00%	6.00%	7.00%
	1	5.50%	5.50%	6.50%
	2	5.50%	5.50%	6.00%
	3	5.25%	5.25%	5.75%
	4	5.25%	5.25%	5.25%
	5	4.75%	4.75%	5.25%
	6	4.75%	4.75%	4.75%
	7	4.50%	4.50%	4.75%
	8	4.50%	4.50%	4.75%
	9+	4.25%	4.50%	4.75%
<b>Cost of Living Adjustments</b>	3.00% of first \$14,000			
<b>Rates of Retirement</b>	Varies based upon age for general employees, police and fire employees.			
<b>Rates of Disability</b>	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).			
<b>Mortality Rates were based on the tables noted below:</b>				
Healthy:				
Pre-Retirement	RP-2000 Employee Mortality Table projected 22 years with Scale AA (previously, projected 12 years with Scale AA)			
Post-Retirement	RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA (previously, projected 12 years with Scale AA)			
Disabled	RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA (previously, set forward 2 years and projected 0 years)			



In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table projected 22 years with Scale AA and the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	19.60%	6.49%
International developed markets equity	15.60%	7.16%
International emerging markets equity	6.50%	9.46%
Core fixed income	15.30%	1.68%
High yield fixed income	8.30%	4.76%
Real estate	9.90%	4.37%
Commodities	3.90%	4.13%
Short-term government money market	0.00%	1.11%
Hedge fund, GTAA. Risk parity	9.80%	3.60%
Private equity	11.10%	11.04%
	<u>100%</u>	

#### Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2015 (net of investment expenses) was 0.61%. (7.54% for December 31, 2014). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.875% (8.0 % in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Middlesex County Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those

assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Middlesex County Retirement System, calculated using the discount rate of 7.875%, as well as what the Middlesex County Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	1% Decrease <u>(6.875%)</u>	Discount Rate <u>(7.875%)</u>	1% Increase <u>(8.875%)</u>
Town's proportionate share of the Net Pension Liability	\$24,720,143	\$20,586,198	\$17,065,860

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report. The System issues a stand-alone financial report is available that can be obtained through the System's website at:

<http://middlesexretirement.org/wp-content/uploads/2016/09/MCRS-Final-Audit-Report-12-31-15-Financial-Statements-and-GASB-67-68.pdf>

(L) 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, 2016. 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 108 active employees and 59 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, 2016, the amount actually contributed to the plan, and the Town’s Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$1,112,198
Interest on Net OPEB Obligation	173,255
Adjustment to Annual Required Contribution	(240,850)
Annual OPEB Cost (Expense)	<u>1,044,603</u>
Contributions Made	<u>(387,719)</u>
Increase in Net OPEB Obligation	656,884
Net OPEB Obligation (NOO)- Beginning of Year	<u>4,331,370</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$4,988,254</u></u>

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Actual</u> <u>Contributions</u> <u>to the Plan</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <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
2013	879,229	200,960	23%	3,156,190
2014	905,233	375,811	42%	3,685,612
2015	1,028,574	382,816	37%	4,331,370
2016	1,044,603	387,719	37%	4,988,254

**Funded Status and Funding Progress.** An actuarial valuation was prepared on July 1, 2014. The Actuarial Accrued Liability (AAL) was \$8,135,213 and the Actuarial Market Value of Plan Assets was \$425,013 leaving an Unfunded Actuarial Accrued Liability (UAAL) of \$7,710,200 as of July 1, 2014. The actuarial value of the assets as a percentage of the Actuarial Accrued Liability (funded ratio) was 5.2%. The covered payroll as of the valuation date was \$4,422,682 and the UAAL as a percentage of covered payroll was 188.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (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.

III. Detailed Notes on All Funds

(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

2016	\$335,055
2015	24,656
2014	815
2013	799
2012	786
2011	791

Total Real Estate Taxes \$ 362,902

Personal Property Taxes

2016	1,153
2015	1,696
2014	354

Total Personal Property Taxes 3,203

CPA Preservation

2016	5,877
2015	345

Total CPA Preservation 6,222

Total Property Taxes Receivable \$ 372,327

Tax Liens \$ 514,279

(A) Assets (Continued)

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2016	\$122,913
2015	10,441
2014	5,142
2013	4,436
2012	4,343
2011	2,481
2010	3,432
2009	3,369
2008	3,056
2007 & Prior Year	<u>7,184</u>

Tax Excise Receivable \$ 166,797

Departmental - Ambulance \$ 240,507

Intergovernmental:

Due from Commonwealth of Massachusetts

Other State Grant \$ 41,328

Massachusetts Highway 454,551

Total Intergovernmental \$ 495,879

Deferred Property Tax \$ 142,722

Special Assessments:

Septic Betterments \$ 11,348

(A) Assets (Continued)

Enterprise Fund

Current:

User Charges

Electric	\$ 1,076,311
Sewer	24,903
Water	<u>110,485</u>

Total User Charges \$ 1,211,699

Special Assessments:

Sewer - Current	\$ 2,312
Sewer - Noncurrent	<u>258,151</u>

Total Special Assessments \$ 260,463

(B) Liabilities

i Short Term Notes Payable

The Town had various short term notes outstanding during the fiscal year ended June 30, 2016, 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>						
Lost Lake Fire Protection	0.75%	\$ -	\$ 1,827,000	\$ -	\$ 1,827,000	02/23/17
Joint Radio Project	0.75%	-	650,000	-	650,000	02/23/17
Four Corners Sewer Planning Design	0.80%	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	02/23/17
Total Governmental		<u>\$ 200,000</u>	<u>\$ 2,677,000</u>	<u>\$ 200,000</u>	<u>\$ 2,677,000</u>	

(B) Liabilities (Continued)

ii Long Term Debt

General obligation bonds outstanding at June 30, 2016, 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, 2016:

**Governmental Activities:**

<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2016</u>
Bernier/Bissell Property	7/15/2001	\$ 850,000	4.50%	7/15/2019	\$ 216,780	\$ -	\$ 44,720	\$ 172,060
Bissell Property	7/15/2001	1,075,000	4.50%	7/15/2019	272,460	-	56,250	216,210
Fire Truck	11/15/2003	485,000	2.00%	11/1/2016	75,000	-	40,000	35,000
Gibbett Hill Conservation Rest	11/15/2003	3,000,000	2.80%	11/1/2022	1,200,000	-	165,000	1,035,000
Library	7/15/1999	1,831,464	4.00%	7/15/2017	269,950	-	94,670	175,280
Library	7/15/1999	364,000	4.00%	7/15/2017	55,310	-	18,970	36,340
Lost Lake Fire Station Remodel	11/15/2003	1,450,000	2.81%	11/1/2022	585,000	-	75,000	510,000
Norris Property	7/15/2001	750,000	4.50%	7/15/2019	192,870	-	39,670	153,200
Project Eval Report MWPAT - Town	11/6/2003	330,000	5.00%	8/1/2023	120,450	-	10,950	109,500
Senior Center Land & Bldg	7/15/1999	151,110	4.00%	7/15/2016	16,690	-	8,440	8,250
Shattuck Property	7/15/2001	500,000	4.50%	7/15/2019	127,050	-	26,080	100,970
Town Hall	7/15/1999	2,500,000	4.00%	7/15/2017	368,050	-	127,920	240,130
Title Five paid out from fund #29	8/1/2002	197,403	5.50%	8/1/2023	62,200	-	10,400	51,800
Land Acquisition - Lot 1, 6A & 6B, 7, & 8	7/1/2007	5,015,000	4.75%	12/15/2021	2,695,000	-	370,000	2,325,000
Fire Station	4/18/2013	7,730,000	2.75%	6/1/2035	7,215,000	-	285,000	6,930,000
<b>Total Governmental Activities</b>					<b>13,471,810</b>	<b>-</b>	<b>1,373,070</b>	<b>12,098,740</b>

**Business Type Activities:**

<u>General Obligation Bond</u>								
Sewer Betterment - Boston Rd	4/1/2008	310,940	4.50%	10/1/2025	183,154	-	16,647	166,507
Sewer Betterment - Old Ayer Rd	4/1/2008	155,960	4.50%	10/1/2025	91,846	-	8,353	83,493
MWPAT - Sewer	11/6/2003	330,000	5.00%	8/1/2023	44,550	-	4,050	40,500
G.E.L.D. Transformer	7/15/2001	750,000	4.50%	7/15/2019	185,840	-	38,280	147,560
G.E.L.D. Building Construction	8/1/2014	2,000,000	2.80%	11/1/2033	2,000,000	-	80,000	1,920,000
MWPAT	12/14/2006	1,234,434	2.00%	7/15/2026	800,303	-	59,602	740,701
Water System Upgrade	11/23/2004	4,417,366	5.00%	8/1/2024	2,595,000	-	215,000	2,380,000
<b>Total Business Type Activities</b>					<b>\$ 5,900,693</b>	<b>\$ -</b>	<b>\$ 421,932</b>	<b>\$ 5,478,761</b>



(B) Liabilities (Continued)

(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>
2017	\$1,384,000	\$331,453	\$437,207	\$192,777
2018	1,344,000	284,619	448,435	174,925
2019	1,157,650	243,186	461,038	156,425
2020	1,174,490	203,624	475,477	137,114
2021	1,034,800	167,243	451,271	118,262
2021-2025	2,523,800	571,165	2,151,063	314,196
2026-2030	2,150,000	343,438	659,270	111,261
2031-2035	<u>1,330,000</u>	<u>79,750</u>	<u>395,000</u>	<u>19,419</u>
	<u>\$12,098,740</u>	<u>\$2,224,478</u>	<u>\$5,478,761</u>	<u>\$1,224,379</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2016, are summarized as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
	Four Corners Sewer Planning	
May 4, 2015	Design	\$200,000
May 4, 2015	Joint Radio Project	650,000
May 4, 2015	Lost Lake Fire Protection	<u>1,837,000</u>
	Total	<u>\$2,687,000</u>

iii Refunding of Long Term Debt  
Current Refunding

On August 1, 2014, the Town issued \$1,860,000 of General Obligations Refunding Bonds with an average interest rate of 2.80% to advance refund \$1,910,000 of outstanding debt with average interest rates of 4.26% to 4.35%. 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 Debt Principal &amp; Interest</u>	<u>Refunding Bonds Principal &amp; Interest</u>
2017	\$332,238	\$309,650
2018	287,458	269,600
2019	278,175	258,800
2020	258,806	242,050
2021	249,356	225,600
2022	239,738	219,300
2023	<u>229,950</u>	<u>208,075</u>
	<u>\$1,875,721</u>	<u>\$1,733,075</u>

## (B) Liabilities (Continued)

### Economic Gain from Refunding Issue

The total net present value benefit as a result of the refunding issues is \$172,470.

### Prior Year Defeased 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 Debt Principal &amp; Interest</u>	<u>Refunding Bonds Principal &amp; Interest</u>
2017	\$551,769	\$477,800
2018	481,664	445,250
2019	235,718	219,500
2020	<u>220,238</u>	<u>199,500</u>
	<u>\$1,489,389</u>	<u>\$1,342,050</u>

### Economic Gain from Refunding Issue

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

### Changes in Long Term Debt

Changes in the government's long-term liabilities for the year ended June 30, 2016 are as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
<b><u>Governmental Activities</u></b>					
Bonds Payable	\$ 13,471,810	\$ -	\$ (1,373,070)	\$ 12,098,740	\$ 1,384,000
Add: Unamortized Premium	101,712	-	(12,714)	88,998	12,714
Total Bonds Payable	<u>13,573,522</u>	<u>-</u>	<u>(1,385,784)</u>	<u>12,187,738</u>	<u>1,396,714</u>
Lease Payable	48,662	28,203	(38,003)	38,862	32,531
Compensated Absences	360,139	104,889	(72,028)	393,000	-
Landfill Closure Costs	647,618	-	(8,620)	638,998	10,000
Net Pension Liability	15,432,328	2,430,006	(1,572,041)	16,290,293	-
Other Post Employment Benefits	<u>3,757,067</u>	<u>827,420</u>	<u>(202,153)</u>	<u>4,382,334</u>	<u>-</u>
Total Governmental Activities	<u>\$ 33,819,336</u>	<u>\$ 3,390,518</u>	<u>\$ (3,278,629)</u>	<u>\$ 33,931,225</u>	<u>\$ 1,439,245</u>
<b><u>Business Type Activities</u></b>					
Bonds Payable	\$ 5,900,693	\$ -	\$ (421,932)	\$ 5,478,761	\$ 437,207
Add: Unamortized Premium	59,005	-	(3,013)	55,992	3,013
Total Bonds Payable	<u>5,959,698</u>	<u>-</u>	<u>(424,945)</u>	<u>5,534,753</u>	<u>440,220</u>
Compensated Absences	26,785	9,133	(5,357)	30,561	-
Net Pension Liability	4,030,912	470,648	(371,532)	4,130,028	-
Other Post Employment Benefits	<u>596,656</u>	<u>227,879</u>	<u>(196,630)</u>	<u>627,905</u>	<u>-</u>
Total Business Type Activities	<u>\$ 10,614,051</u>	<u>\$ 707,660</u>	<u>\$ (998,464)</u>	<u>\$ 10,323,247</u>	<u>\$ 440,220</u>

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 Towns enterprise funds) adopted a fiscal 2017 operating and capital budget of \$39,305,157. Fiscal 2017 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$ 34,673,513
Enterprise and Community Preservation Funds	3,163,121
Other Available Funds	1,468,523
Total	<u>\$ 39,305,157</u>

VI. Landfill Closure and Post Closure Care Costs

As of June 30, 2016, 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 \$630,000. The potential exists for changes to the estimates due to inflation or deflation, technology or applicable laws and regulations.

VII. Prior Period Adjustment

Fiscal year 2015 is the implementation year for Governmental Accounting Standards Board Statement # 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. In accordance with the statement, a prior period adjustment (\$3,054,795, relating to the Electric Light Enterprise Fund) was made to reflect the net pension liability and deferred outflows as of July 1, 2015. The total Government-wide net position previously reported (as of July 1, 2015) was \$53,867,455. The net position after the adjustment (as of July 1, 2015) was \$50,812,660.

## VIII. Implementation of New GASB Pronouncements

During fiscal year 2016, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 72 *Fair Value Measurement and Application*. The standard created a hierarchy of the valuation methods used in determining the fair value of investments. The implementation of this pronouncement required new disclosures related to the Town's investments.
- The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No 79, *Certain External Investment Pools and Pool Participants*. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* which is required to be implemented in fiscal year 2018.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statements #74 & 75 will have a significant impact on the Town's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the Town's Other Post-Employment Benefits.

***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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Property Taxes	\$ 29,042,232	\$ 28,842,232	\$ 28,841,947	\$ (285)
Excises	1,500,000	1,500,000	1,790,905	290,905
Penalties, Interest on Taxes and Excises	90,000	90,000	126,814	36,814
In Lieu of Taxes	230,000	230,000	235,069	5,069
Charges for Services	506,192	506,192	557,086	50,894
Other Departmental	986,063	986,063	1,080,291	94,228
Licenses and Permits	275,000	275,000	364,349	89,349
Fines and Forfeits	42,000	42,000	45,011	3,011
Earnings on Investments	15,000	15,000	20,076	5,076
Intergovernmental	838,699	838,699	951,002	112,303
Miscellaneous	-	-	13,762	13,762
Total Revenues	<u>33,525,186</u>	<u>33,325,186</u>	<u>34,026,312</u>	<u>701,126</u>
<b><u>Expenditures</u></b>				
General Government	2,658,658	2,666,744	2,428,803	237,941
Public Safety	3,984,428	4,050,438	3,877,983	172,455
Education	18,862,805	18,862,805	18,862,805	-
Highway and Public Works	1,867,388	1,867,388	1,901,280	(33,892)
Health and Human Services	324,642	368,042	314,475	53,567
Culture and Recreation	1,485,975	1,549,183	1,528,303	20,880
Debt Service	1,383,590	1,383,590	1,267,703	115,887
Intergovernmental	81,969	81,969	81,969	-
Employee Benefits	3,307,389	3,307,389	3,164,438	142,951
Total Expenditures	<u>33,956,844</u>	<u>34,137,548</u>	<u>33,427,759</u>	<u>709,789</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(431,658)</u>	<u>(812,362)</u>	<u>598,553</u>	<u>1,410,915</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers In	866,045	866,045	866,045	-
Transfers Out	(200,000)	(657,548)	(657,548)	-
Free Cash and Other Available Funds	110,000	948,252	948,252	-
Budgetary Balance	(200,000)	(200,000)	(200,000)	-
Other Uses	(144,387)	(144,387)	(144,387)	-
Total Other Financing Sources (Uses)	<u>431,658</u>	<u>812,362</u>	<u>812,362</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>-</u>	<u>\$ 1,410,915</u>	<u>\$ 1,410,915</u>

**See Notes to the Required Supplementary Information**

Required Supplementary Information  
Schedule of the Town of Groton Massachusetts' Proportionate Share of the Net Pension Liability  
Middlesex County Retirement System  
Last Ten Fiscal Years\*\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportionate share of the net pension liability (asset) (%)	1.595806%	1.622876%	1.627086%
Town's proportionate share of the net pension liability (asset) (\$)	20,586,198	19,495,870	19,293,598
Town's covered-employee payroll	6,891,765	6,626,697	6,764,657
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	298.71%	294.20%	285.21%
Plan fiduciary net position as a percentage of the pension liability	46.13%	47.65%	46.18%

\*\*Historical information prior to implementation of GASB 67/68 is not required

The amounts presented for each fiscal year were determined as of December 31.

**See Notes to the Required Supplementary Information**

Required Supplementary Information  
Schedule of the Town of Groton Massachusetts' Contributions  
Middlesex County Retirement System  
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 1,737,842	\$ 1,560,704	\$ 1,476,492	\$ 1,377,437	\$ 1,358,006	\$ 1,223,286	\$ 1,179,553	\$ 1,136,369	\$ 1,040,723	\$ 926,763
Contributions in relation to the contractually required contribution	<u>(1,737,842)</u>	<u>(1,560,704)</u>	<u>(1,476,492)</u>	<u>(1,377,437)</u>	<u>(1,358,006)</u>	<u>(1,223,286)</u>	<u>(1,179,553)</u>	<u>(1,136,369)</u>	<u>(1,040,723)</u>	<u>(926,763)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	6,891,765	6,626,697	6,764,657	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>						
Contributions as a percentage of covered-employee payroll	25.22%	23.55%	21.83%							

**See Notes to the Required Supplementary Information**



Required Supplementary Information  
Town of Groton, Massachusetts  
Schedule of Funding Progress and Employers Contributions - Other Post Employment Benefits  
Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
7/1/2008	\$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%
7/1/2014	\$425,013	\$8,135,213	\$7,710,200	5.2%	\$6,888,215	112%

**Schedule of Employer's Contributions**

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions to the Plan</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB 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
2013	879,229	200,960	23%	3,156,190
2014	905,233	375,811	42%	3,685,612
2015	1,028,574	382,816	37%	4,331,370
2016	1,044,603	387,719	37%	4,988,254

**See Notes to the Required Supplementary Information**

Required Supplementary Information  
Town of Groton, Massachusetts  
Valuation Details - Other Post Employment Benefits  
Fiscal Year Ended June 30, 2016

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Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Open 30-year level dollar basis
Asset Valuation Method	Fair market value

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**Actuarial Assumptions:**

Investment Rate of Return	4.0%
	Increase 7.0% in fiscal 2015, decreasing 0.5% each year to an ultimate rate of
Medical/Drug Cost Trend Rate	5.0% per year in fiscal 2019 and beyond

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Plan Membership:

Current retirees, beneficiaries, and dependents	59
Current active members	<u>108</u>
Total	<u>167</u>

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**See Notes to the Required Supplementary Information**

Town of Groton, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2016

(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

a. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Middlesex County Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex County Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town 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 County Retirement System issues a stand-alone financial report that is available to the public at:

<http://middlesexretirement.org/wp-content/uploads/2016/09/MCRS-Final-Audit-Report-12-31-15-Financial-Statements-and-GASB-67-68.pdf> or by writing to the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

b. Funding Plan

Active members of the Middlesex County 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 are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex County Retirement System with the approval of the Public Employee Retirement Administration Commission.

c. Changes in Benefit Terms

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$14,000 effective July 1, 2014.

d. Change in Assumptions

The following changes were effective January 1, 2014:

- The actuarial cost method was changed to better reflect the impact of the plan changes effective for employees hired on or after April 2, 2012.
- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected 22 years with Scale AA.
- The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years to the RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA.
- The investment return assumption was lowered from 8.00% to 7.875%.
- The salary increase assumption was changed from level rates of 4.75% per year for Group 1 and Group 2 members and 5.25% per year for Group 4 members, including an allowance for inflation of 4.5% per year, to rates based on years of service with ultimate rates of 4.25% per year for Group 1 members, 4.5% per year for Group 2 members and 4.75% per year for Group 4 members, including an allowance for inflation of 4.0% per year.
- The assumed retirement age for inactive vested participants was changed from age 65 to age 60 for Group 1 and 2 members and remained the same at age 55 for Group 4 members hired prior to April 2, 2012. For participants hired April 2, 2012 or later, the assumption is 60 for Group 1 members, 55 for Group 2 members and 50 for Group 4 members.
- The administrative expense assumption was increased from \$3,100,000 for calendar 2012 to \$3,400,000 for calendar 2014.

e. Schedule of Town's Proportionate Share of the Net Pension Liability - Middlesex County Retirement System

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered-employee payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered-employee payroll and the plans fiduciary net position as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

f. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered-employee payroll and the Town's contributions as a percentage of covered-employee payroll. The schedule is a ten year schedule.

(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, 2016. 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 108 active employees and 59 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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Groton, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Groton's basic financial statements, and have issued our report thereon dated February 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Groton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Groton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Groton's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did issue a management letter that addresses issues (not significant deficiencies or material weaknesses) that we believe should be communicated to you.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Groton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
Georgetown, Massachusetts  
February 27, 2017