

TOWN OF GROTON, MASSACHUSETTS

Financial Statements

June 30, 2015

and Electric Light Enterprise Fund as of December 31, 2014

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

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Town of Groton, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
and Electric Light Enterprise Fund as of December 31, 2014
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Town of Groton, Massachusetts
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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, 2015 (December 31, 2014 for the Groton Electric Light Enterprise Fund), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Groton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Groton Electric Light Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Groton Electric Light Enterprise Fund, is based solely on the report of the other auditors.

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. 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.

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, 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, 2015 (and the Groton Electric Light Enterprise Fund as of December 31, 2014) 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 19, 2016, 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 19, 2016

**Town of Groton, Massachusetts
Management’s Discussion and Analysis
Required Supplementary Information
June 30, 2015**

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, 2015.

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, 2015 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 \$53,867,455 (*net position*). Of this amount (\$14,040,283) (*unrestricted net position*) may be used to meet government’s ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,551,544, or 11 percent of total general fund expenditures.
- The Town of Groton, Massachusetts’ total debt increased by \$426,380 during the current year. The increase was the result of the principal payments of (\$3,594,337) and the issuance of \$3,860,000 of new bonds.

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 and electric light. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Groton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Groton, Massachusetts can be divided into three categories: governmental funds, fiduciary funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

Proprietary 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.

	Net Position					
	June 30					
	Governmental Activities		Business-type Activities		Totals	
	<u>2015</u>	<u>2014 (As Restated)</u>	<u>2015</u>	<u>2014 (As Restated)</u>	<u>2015</u>	<u>2014 (As Restated)</u>
Current and Other Assets	\$ 13,628,749	\$ 13,222,362	\$ 8,954,319	\$ 9,200,187	\$ 22,583,068	\$ 22,422,549
Capital Assets	49,168,682	49,964,863	28,751,555	26,313,563	77,920,237	76,278,426
Total Assets	<u>62,797,431</u>	<u>63,187,225</u>	<u>37,705,874</u>	<u>35,513,750</u>	<u>100,503,305</u>	<u>98,700,975</u>
Deferred Outflows of Resources	121,214	65,142	2,847	3,559	124,061	68,701
Other Liabilities	2,154,734	2,289,788	2,204,790	1,866,981	4,359,524	4,156,769
Long Term Liabilities	32,404,789	32,977,554	7,778,248	6,200,378	40,183,037	39,177,932
Total Liabilities	<u>34,559,523</u>	<u>35,267,342</u>	<u>9,983,038</u>	<u>8,067,359</u>	<u>44,542,561</u>	<u>43,334,701</u>
Deferred Inflows of Resources	70,252	84,303	2,147,098	1,655,701	2,217,350	1,740,004
Net Position:						
Net Investment in Capital Assets	35,615,598	35,018,594	22,836,408	22,125,203	58,452,006	57,143,797
Restricted	7,579,491	7,687,797	1,876,241	3,241,173	9,455,732	10,928,970
Unrestricted	(14,906,219)	(14,805,669)	865,936	427,873	(14,040,283)	(14,377,796)
Total Net Position	<u>\$ 28,288,870</u>	<u>\$ 27,900,722</u>	<u>\$ 25,578,585</u>	<u>\$ 25,794,249</u>	<u>\$ 53,867,455</u>	<u>\$ 53,694,971</u>

The net position of the Town (including prior period adjustments) increased by \$172,484. The net position of the governmental activities increased by \$388,148 or 1%, and the net position of the business-type activities decreased by (\$215,664) or less than 1%.

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.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 2,004,739	\$ 2,033,036	\$ 11,618,526	\$ 11,428,964	\$ 13,623,265	\$ 13,462,000
Operating Grants and Contributions	1,625,281	2,512,112	81,365	86,507	1,706,646	2,598,619

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Revenues:						
Property Taxes	28,447,221	26,824,493	-	-	28,447,221	26,824,493
Motor Vehicle and Other Excises	1,617,111	1,542,553	-	-	1,617,111	1,542,553
Intergovernmental Not Restricted to a Specific Program	778,470	761,723	-	-	778,470	761,723
Other	477,452	387,195	-	-	477,452	387,195
Total Revenues	34,950,274	34,061,112	11,699,891	11,515,471	46,650,165	45,576,583
Expenses						
General Government	3,446,808	2,262,712	-	-	3,446,808	2,262,712
Public Safety	4,189,649	3,926,712	-	-	4,189,649	3,926,712
Education	18,303,704	17,178,474	-	-	18,303,704	17,178,474
Highways and Public Works	2,734,358	2,977,708	-	-	2,734,358	2,977,708
Human Services	344,967	316,679	-	-	344,967	316,679
Culture and Recreation	2,014,397	1,851,680	-	-	2,014,397	1,851,680
Fringe Benefits	3,151,982	2,983,135	-	-	3,151,982	2,983,135
Interest on Debt Service	342,118	501,968	-	-	342,118	501,968
Debt Issuance Costs	34,143	-	-	-	34,143	-
Electric	-	-	9,813,570	9,730,754	9,813,570	9,730,754
Sewer	-	-	820,244	786,124	820,244	786,124
Water	-	-	1,281,741	1,170,218	1,281,741	1,170,218
Total Expenses	34,562,126	31,999,068	11,915,555	11,687,096	46,477,681	43,686,164
Increase (Decrease) in Net Position	\$ 388,148	\$ 2,062,044	\$ (215,664)	\$ (171,625)	\$ 172,484	\$ 1,890,419

Governmental Activities

In fiscal year 2015, property taxes accounted for approximately 81% of the revenues.

Business-type Activities

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

Financial Analysis of the Town's Funds

Governmental Funds

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 \$565,372 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**

Fiscal Year	Reserved for Encumbrances	Reserved for Petty Cash	Reserved for Subsequent Year's Expenditure	Unreserved	Total Fund Balance	Free Cash
2005	\$704,236	\$50	\$10,000	\$1,104,775	\$1,819,061	\$855,318
2006	106,664	50	-	1,277,124	1,383,838	904,466
2007	423,188	200	-	912,714	1,336,102	755,321
2008	134,018	200	-	604,151	738,369	627,146
2009	170,655	200	-	722,222	893,077	637,627
2010	333,672	200	-	1,457,383	1,791,255	818,654

	Restricted	Committed	Assigned	Unassigned	Total Fund Balance	Free Cash
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

The fiscal year 2015 and 2014 fund balances include \$1,775,151 and \$1,642,930 respectively. These amounts represent the Town's stabilization fund balance, which is required to be included with the general fund for financial statements purposes, in accordance with the new GASB 54 requirements.

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital assets. The Town of Groton, Massachusetts’ investments in capital assets for its governmental and business type activities as of June 30, 2015, amounts to \$77,920,237 (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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land and Construction in Progress	\$ 28,850,955	\$ 37,492,243	\$ 5,774,529	\$ 3,021,323	\$ 34,625,484	\$ 40,513,566
Distribution Plant	-	-	4,775,839	4,511,454	4,775,839	4,511,454
General Plant	-	-	1,826,077	1,872,316	1,826,077	1,872,316
Buildings	7,023,267	7,384,232	2,048,831	2,114,021	9,072,098	9,498,253
Improvements Other Than Buildings	698,572	777,936	104,494	112,234	803,066	890,170
Infrastructure	9,811,127	1,524,483	14,016,153	14,429,904	23,827,280	15,954,387
Equipment	875,014	958,481	173,313	211,076	1,048,327	1,169,557
Vehicles	1,909,747	1,827,488	32,319	41,235	1,942,066	1,868,723
Total	<u>\$ 49,168,682</u>	<u>\$ 49,964,863</u>	<u>\$ 28,751,555</u>	<u>\$ 26,313,563</u>	<u>\$ 77,920,237</u>	<u>\$ 76,278,426</u>

Debt

The Town had \$19,533,220 in general obligation bonds, outstanding on June 30, 2015. This represents a \$426,380 increase or 2% from the previous year.

General Obligation Bonds Payable at June 30

	<u>2015</u>	<u>2014</u>
Governmental Activities	<u>\$ 13,573,522</u>	<u>\$ 14,869,880</u>
Business-type Activities		
Electric	2,244,845	224,120
Sewer	319,550	348,600
Water	3,395,303	3,664,240
Total Business Type Activities	<u>5,959,698</u>	<u>4,236,960</u>
Total Debt	<u>\$ 19,533,220</u>	<u>\$ 19,106,840</u>

Standard and Poor’s rating services has 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 2015 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 2015 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, 2015
(Except for the Electric Enterprise Activity, Which is as of December 31, 2014)
(Continued on Page 12)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 11,876,116	\$ 2,225,742	\$ 14,101,858
Receivables:			
Property Taxes	397,894	-	397,894
Tax Liens	395,271	-	395,271
Excises	157,864	-	157,864
Interest	-	1,334	1,334
User Charges	-	1,459,957	1,459,957
Departmental	135,209	7,139	142,348
Intergovernmental	529,395	-	529,395
Special Assessment Liens	13,934	3,160	17,094
Materials and Supplies	-	469,968	469,968
Prepaid Expenses	-	991,925	991,925
Noncurrent:			
Investments	-	2,947,667	2,947,667
Deferred Property Taxes	123,066	-	123,066
Deferred Special Assessments	-	288,780	288,780
Other Receivable	-	35,100	35,100
Other Assets	-	1,556	1,556
Select Energy Fund	-	521,991	521,991
Capital Assets:			
Assets Not Being Depreciated	28,850,955	5,774,529	34,625,484
Assets Being Depreciated, Net	20,317,727	22,977,026	43,294,753
Total Assets	<u>62,797,431</u>	<u>37,705,874</u>	<u>100,503,305</u>
Deferred Outflows of Resources			
Deferral on Refunding Issue	69,100	-	69,100
Pension	52,114	2,847	54,961
Total Deferred Outflows of Resources	<u>121,214</u>	<u>2,847</u>	<u>124,061</u>
Liabilities			
Current:			
Warrants Payable	179,433	1,518,667	1,698,100
Accrued Salaries Payable	234,905	1,591	236,496
Lease Payable	28,763	-	28,763
Due to Individuals	12,188	-	12,188
Accrued Interest	113,661	59,696	173,357
Bonds Payable	1,385,784	424,945	1,810,729
Other Accrued Liabilities	-	199,891	199,891
Bond Anticipation Notes Payable	200,000	-	200,000

Town of Groton, Massachusetts
Statement of Net Position
June 30, 2015
(Except for the Electric Enterprise Activity, Which is as of December 31, 2014)
(Continued from Page 11)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
Noncurrent:			
Bonds Payable	12,187,738	5,534,753	17,722,491
Deferred Gain on Refinance of Bond	-	414,356	414,356
Customer Deposit	-	234,021	234,021
Lease Payable	19,899	-	19,899
Other Accrued Liabilities	-	128,693	128,693
Compensated Absences	360,139	26,785	386,924
Landfill Liability	647,618	-	647,618
Net Pension Liability	15,432,328	842,984	16,275,312
Other Post Employment Benefit Obligations	3,757,067	596,656	4,353,723
Total Liabilities	<u>34,559,523</u>	<u>9,983,038</u>	<u>44,542,561</u>
Deferred Inflows of Resources:			
Deferred Gain on Refinance of Bond	70,252	5,650	75,902
Contribution in Aid of Construction	-	234,052	234,052
Reserve for Rate Stabilization	-	1,385,405	1,385,405
Reserve for Select Energy	-	521,991	521,991
Total Deferred Inflows of Resources	<u>70,252</u>	<u>2,147,098</u>	<u>2,217,350</u>
Net Position:			
Net Investment in Capital Assets	35,615,598	22,836,408	58,452,006
Restricted for:			
Capital Projects	252,320	1,433,569	1,685,889
Debt Service	-	442,672	442,672
Gifts, Grants and Other Statutory Restrictions	3,498,652	-	3,498,652
Permanent Funds:			
Expendable	843,045	-	843,045
Nonexpendable	2,985,474	-	2,985,474
Unrestricted	(14,906,219)	865,936	(14,040,283)
Total Net Position	<u>\$ 28,288,870</u>	<u>\$ 25,578,585</u>	<u>\$ 53,867,455</u>

Town of Groton, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2015
(Except for the Electric Activity, Which is for Year Ended December 31, 2014)

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	\$ 3,446,808	\$ 141,438	\$ 317,047	\$ -	\$ (2,988,323)	\$ -	\$ (2,988,323)
Public Safety	4,189,649	891,590	210,693	-	(3,087,366)	-	(3,087,366)
Education	18,303,704	-	-	-	(18,303,704)	-	(18,303,704)
Highways and Public Works	2,734,358	288,637	853,588	-	(1,592,133)	-	(1,592,133)
Human Services	344,967	14,486	116,645	-	(213,836)	-	(213,836)
Culture and Recreation	2,014,397	668,588	127,308	-	(1,218,501)	-	(1,218,501)
Interest on Debt Service	342,118	-	-	-	(342,118)	-	(342,118)
Fringe Benefits	3,151,982	-	-	-	(3,151,982)	-	(3,151,982)
Debt Issuance Costs	34,143	-	-	-	(34,143)	-	(34,143)
Total Governmental Activities	<u>34,562,126</u>	<u>2,004,739</u>	<u>1,625,281</u>	<u>-</u>	<u>(30,932,106)</u>	<u>-</u>	<u>(30,932,106)</u>
<i>Business-Type Activities:</i>							
Electric	9,813,570	9,795,408	25,708	-	-	7,546	7,546
Sewer	820,244	592,756	1,830	-	-	(225,658)	(225,658)
Water	1,281,741	1,230,362	53,827	-	-	2,448	2,448
Total Business-Type Activities	<u>11,915,555</u>	<u>11,618,526</u>	<u>81,365</u>	<u>-</u>	<u>-</u>	<u>(215,664)</u>	<u>(215,664)</u>
Total	<u>\$ 46,477,681</u>	<u>\$ 13,623,265</u>	<u>\$ 1,706,646</u>	<u>\$ -</u>	<u>(30,932,106)</u>	<u>(215,664)</u>	<u>(31,147,770)</u>
<i>General Revenues:</i>							
Property Taxes					28,447,221	-	28,447,221
Motor Vehicle and Other Excise Taxes					1,617,111	-	1,617,111
Penalties and Interest on Taxes					101,332	-	101,332
Other Taxes, Assessments and in Lieu Payments					226,027	-	226,027
Intergovernmental					778,470	-	778,470
Interest and Investment Income					38,843	-	38,843
Other Revenue					93,000	-	93,000
Contributions to Permanent Funds					18,250	-	18,250
Total General Revenues, Special Items and Transfers					<u>31,320,254</u>	<u>-</u>	<u>31,320,254</u>
Change in Net Position					388,148	(215,664)	172,484
Net Position:							
Beginning of the Year					43,106,830	26,625,109	69,731,939
Prior Period Adjustment					<u>(15,206,108)</u>	<u>(830,860)</u>	<u>(16,036,968)</u>
Beginning of the Year, as Restated					<u>27,900,722</u>	<u>25,794,249</u>	<u>53,694,971</u>
End of the Year					<u>\$ 28,288,870</u>	<u>\$ 25,578,585</u>	<u>\$ 53,867,455</u>

Town of Groton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 4,631,350	\$ 7,244,766	\$ 11,876,116
Receivables:			
Property Taxes	397,894	-	397,894
Tax Liens	395,271	-	395,271
Excises	157,864	-	157,864
Deferred Property Taxes	123,066	-	123,066
Departmental	135,209	-	135,209
Intergovernmental	-	529,395	529,395
Special Assessments	-	13,934	13,934
Tax Foreclosures	44,258	-	44,258
Total Assets	<u>\$ 5,884,912</u>	<u>\$ 7,788,095</u>	<u>\$ 13,673,007</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants Payable	\$ 179,433	\$ -	\$ 179,433
Accrued Payroll Payable	234,001	904	234,905
Other Liabilities	4,488	7,700	12,188
Bonds Anticipation Notes Payable	-	200,000	200,000
Total Liabilities	<u>417,922</u>	<u>208,604</u>	<u>626,526</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>1,005,389</u>	<u>530,107</u>	<u>1,535,496</u>
Total Deferred Inflows of Resources	<u>1,005,389</u>	<u>530,107</u>	<u>1,535,496</u>
Fund Equity:			
Fund Balances:			
Nonspendable	-	2,985,474	2,985,474
Restricted	13,271	3,463,810	3,477,081
Committed	778,161	72,709	850,870
Assigned	118,625	528,246	646,871
Unassigned	3,551,544	(855)	3,550,689
Total Fund Balances	<u>4,461,601</u>	<u>7,049,384</u>	<u>11,510,985</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,884,912</u>	<u>\$ 7,788,095</u>	<u>\$ 13,673,007</u>

Town of Groton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 27,723,681	\$ 604,687	\$ 28,328,368
Excises	1,639,664	-	1,639,664
Penalties and Interest	101,332	-	101,332
In Lieu of Taxes	226,027	-	226,027
Charges for Services	568,890	277,364	846,254
Fees and Other Departmental	363,539	29,114	392,653
Licenses and Permits	539,776	192,759	732,535
Fines and Forfeits	43,763	-	43,763
Earnings on Investments	38,843	73,648	112,491
Intergovernmental	857,265	1,149,885	2,007,150
Contributions	-	89,363	89,363
Miscellaneous	8,990	115,654	124,644
Total Revenues	<u>32,111,770</u>	<u>2,532,474</u>	<u>34,644,244</u>
<u>Expenditures:</u>			
General Government	2,273,540	291,674	2,565,214
Public Safety	3,818,042	664,225	4,482,267
Education	18,328,798	3,390	18,332,188
Highways and Public Works	1,953,388	633,636	2,587,024
Human Services	262,085	33,771	295,856
Culture and Recreation	1,530,751	369,475	1,900,226
Debt Service	1,292,134	496,875	1,789,009
Intergovernmental	106,992	-	106,992
Employee Benefits	2,351,547	-	2,351,547
Debt Issuance Costs	34,143	-	34,143
Total Expenditures	<u>31,951,420</u>	<u>2,493,046</u>	<u>34,444,466</u>
Excess of Revenues Over (Under) Expenditures	<u>160,350</u>	<u>39,428</u>	<u>199,778</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	472,639	111,884	584,523
Operating Transfers (Out)	(111,884)	(472,639)	(584,523)
Issuance of Refunding Bonds	1,860,000	-	1,860,000
Premium on Refunding Bonds	113,367	-	113,367
Payment to Refunded Bonds Escrow Agent	(1,929,100)	-	(1,929,100)
Total Other Financing Sources (Uses)	<u>405,022</u>	<u>(360,755)</u>	<u>44,267</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>565,372</u>	<u>(321,327)</u>	<u>244,045</u>
Fund Balance, Beginning	3,896,229	7,370,711	11,266,940
Fund Balance, Ending	<u>\$ 4,461,601</u>	<u>\$ 7,049,384</u>	<u>\$ 11,510,985</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, 2015

Total Governmental Fund Balances	\$ 11,510,985
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,168,682
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,491,238
Net deferred outflows of Resources of Pension are not financial resources and, therefore, are not reported in the funds.	52,114
Refunding issues used in governmental fund, but deferred in governmental activities per GASB 65.	69,100
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(13,573,522)
Deferred Gain on Refinance of Bond	(70,252)
Accrued Interest on Bonds	(113,661)
Landfill Accrued Liability	(647,618)
Leasing Payable	(48,662)
Other Post Employment Benefit Obligations	(3,757,067)
Net Pension Liability	(15,432,328)
Compensated Absences	<u>(360,139)</u>
Net Position of Governmental Activities	<u><u>\$ 28,288,870</u></u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 244,045
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.	(789,181)
In the governmental funds, the disposal of capital assets is reported, whereas in the statement of activities, the sale is not reported.	(7,000)
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.	313,030
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.	1,434,618
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.	5,733
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.	(813,097)
Change in Net Position of Governmental Activities	\$ <u><u>388,148</u></u>

Town of Groton, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2015
(Except for the Electric Enterprise Activity, Which is as of December 31, 2014)
(Continued on Page 19)

	Business - Type Activities Enterprise Fund			
	Electric Light			
	<u>Department</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Assets				
Current:				
Cash and Cash Investments	\$ 1,048,877	\$ 768,706	\$ 408,159	\$ 2,225,742
Receivables, Net of Allowance for Uncollectibles:				
User Charges	1,291,421	33,926	134,610	1,459,957
Special Assessments	-	3,160	-	3,160
Interest	1,334	-	-	1,334
Materials and Supplies	469,968	-	-	469,968
Prepaid Expenses	991,925	-	-	991,925
Other	-	7,139	-	7,139
Noncurrent:				
Investments	2,947,667	-	-	2,947,667
Receivables:				
Deferred Special Assessments	-	288,780	-	288,780
Other	35,100	-	-	35,100
Other Assets	1,556	-	-	1,556
Select Energy Fund	521,991	-	-	521,991
Assets Not Being Depreciated	4,967,608	76,324	730,597	5,774,529
Assets Being Depreciated, Net	6,601,916	4,371,142	12,003,968	22,977,026
Total Assets	18,879,363	5,549,177	13,277,334	37,705,874
Deferred Outflows of Resources:				
Pension	-	211	2,636	2,847
Liabilities				
Current:				
Warrants Payable	1,496,771	941	20,955	1,518,667
Accrued Payroll Payable	-	206	1,385	1,591
Interest on Bonds Payable	-	5,958	53,738	59,696
Bonds Payable	121,293	29,050	274,602	424,945
Other Accrued Liabilities	199,891	-	-	199,891

Town of Groton, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2015
(Except for the Electric Enterprise Activity, Which is as of December 31, 2014)
(Continued from Page 18)

	Business - Type Activities Enterprise Fund			
	Electric Light			
	<u>Department</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Noncurrent:				
Customer Deposits	234,021	-	-	234,021
Bonds Payable	2,123,552	290,500	3,120,701	5,534,753
Customer Advances for Construction	414,356	-	-	414,356
Other Accrued Liabilities	128,693	-	-	128,693
Compensated Absences	-	1,706	25,079	26,785
Net Pension Liability	-	62,610	780,374	842,984
Other Post Employment Benefit Obligations	401,866	29,938	164,852	596,656
Total Liabilities	5,120,443	420,909	4,441,686	9,983,038
Deferred Inflows of Resources:				
Deferred Gain on Refinance of Bond	5,650	-	-	5,650
Contribution in Aid of Construction	234,052	-	-	234,052
Reserve for Rate Stabilization	1,385,405	-	-	1,385,405
Reserve for Select Energy Fund	521,991	-	-	521,991
Total Deferred Inflows of Resources	2,147,098	-	-	2,147,098
Net Position				
Net Investment in Capital Assets	9,324,679	4,172,466	9,339,263	22,836,408
Restricted for:				
Restricted for Depreciation	1,433,569	-	-	1,433,569
Debt Service	-	442,672	-	442,672
Unrestricted	853,574	513,341	(500,979)	865,936
Total Net Position	\$ 11,611,822	\$ 5,128,479	\$ 8,838,284	\$ 25,578,585

Town of Groton, Massachusetts
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2015
(Except for the Electric Activity, Which is for Year Ended December 31, 2014)

	Business - Type Activities			
	Enterprise Funds			
	Electric Light Department	Sewer	Water	Total
Operating Revenues:				
Charges for Services	\$ 9,404,027	\$ 581,878	\$ 1,182,054	\$ 11,167,959
Other Operating	391,381	10,878	-	402,259
Intergovernmental	-	-	48,308	48,308
Total Operating Revenues	<u>9,795,408</u>	<u>592,756</u>	<u>1,230,362</u>	<u>11,618,526</u>
Operating Expenditures:				
Personal Services	248,412	44,379	267,490	560,281
Nonpersonal Service	8,171,751	607,500	475,356	9,254,607
Maintenance	851,963	-	-	851,963
Depreciation	347,977	155,233	397,693	900,903
Total Operating Expenditures	<u>9,620,103</u>	<u>807,112</u>	<u>1,140,539</u>	<u>11,567,754</u>
Operating Income	<u>175,305</u>	<u>(214,356)</u>	<u>89,823</u>	<u>50,772</u>
Nonoperating Revenues (Expenses):				
Intergovernmental, Net	(230)	-	23,172	22,942
Bond Issuance Costs	(36,900)	-	-	(36,900)
Earnings on Investments	25,938	1,830	30,655	58,423
Interest on Debt	(26,567)	(13,132)	(141,202)	(180,901)
Total Nonoperating Revenues (Expenses)	<u>(37,759)</u>	<u>(11,302)</u>	<u>(87,375)</u>	<u>(136,436)</u>
Income Before Contributions and Transfers	<u>137,546</u>	<u>(225,658)</u>	<u>2,448</u>	<u>(85,664)</u>
Other Financing Sources (Uses):				
Payment in Lieu of Taxes	(130,000)	-	-	(130,000)
Total Other Financing Sources (Uses)	<u>(130,000)</u>	<u>-</u>	<u>-</u>	<u>(130,000)</u>
Net Income	<u>7,546</u>	<u>(225,658)</u>	<u>2,448</u>	<u>(215,664)</u>
Total Net Position July 1, 2014	<u>11,604,276</u>	<u>5,415,835</u>	<u>9,604,998</u>	<u>26,625,109</u>
Prior Year Adjustment	-	(61,698)	(769,162)	(830,860)
Total Net Position July 1, 2014, as Restated	<u>11,604,276</u>	<u>5,354,137</u>	<u>8,835,836</u>	<u>25,794,249</u>
Total Net Position June 30, 2015	<u>\$ 11,611,822</u>	<u>\$ 5,128,479</u>	<u>\$ 8,838,284</u>	<u>\$ 25,578,585</u>

Town of Groton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2015
(Except for the Electric Enterprise Activity, Which is as of December 31, 2014)
(Continued on Page 22)

	Business - Type Activities			Total
	Enterprise Funds			
	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 9,372,744	\$ 615,610	\$ 1,095,373	\$ 11,083,727
Receipts from Government	-	-	48,308	48,308
Payments to Employees	(1,765,376)	(43,585)	(265,514)	(2,074,475)
Payments to Vendors	(7,731,021)	(615,857)	(454,321)	(8,801,199)
Rents from Electric Property	158,422	-	-	158,422
Net Cash Flows Provided (Used) by Operating Activities	<u>34,769</u>	<u>(43,832)</u>	<u>423,846</u>	<u>414,783</u>
Cash Flows from Non Capital Related Financing Activities:				
Payments in Lieu of Taxes	<u>(130,000)</u>	-	-	<u>(130,000)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(130,000)</u>	-	-	<u>(130,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(3,201,825)	(1,324)	(19,566)	(3,222,715)
Contribution in Aid of Construction	161,539	-	-	161,539
Customer Advances for Construction	(49,864)	-	-	(49,864)
Grant Income	24,500	-	-	24,500
Grant Expense	(49,230)	-	-	(49,230)
Proceeds from Bonds	2,023,360	-	-	2,023,360
Principal Payments on Notes and Bonds	(38,280)	(29,050)	(268,937)	(336,267)
Interest Expense	(10,513)	(13,790)	(92,279)	(116,582)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,140,313)</u>	<u>(44,164)</u>	<u>(380,782)</u>	<u>(1,565,259)</u>
Cash Flows from Investing Activities:				
Earnings on Investments	24,946	1,830	762	27,538
Transfer from Select Energy Fund	1,380,364	-	-	1,380,364
Net Transfer from Operations	100,000	-	-	100,000
Change in Rate Stabilization Reserve	189,811	-	-	189,811
Net Cash Flows Provided (Used) by Investing Activities	<u>1,695,121</u>	<u>1,830</u>	<u>762</u>	<u>1,697,713</u>
Net Increase (Decrease) in Cash and Cash Equivalents	459,577	(86,166)	43,826	417,237
Cash and Cash Equivalents, July 1, 2014	589,300	854,872	364,333	1,808,505
Cash and Cash Equivalents, June 30, 2015	<u>\$ 1,048,877</u>	<u>\$ 768,706</u>	<u>\$ 408,159</u>	<u>\$ 2,225,742</u>

Town of Groton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2015
(Except for the Electric Enterprise Activity, Which is as of December 31, 2014)
(Continued from Page 21)

	Business - Type Activities Enterprise Funds			<u>Total</u>
	<u>Electric</u>	<u>Sewer</u>	<u>Water</u>	
Reconciliation of Net Income to Net Cash Provided (Used) by				
Operating Activities:				
Operating Income (Loss)	175,305	(214,356)	89,823	50,772
Adjustments to Reconcile Operating Income to Net Cash				
Provided (Used) by Operating Activities:				
Depreciation Expense	347,977	155,233	397,693	900,903
Rate Stabilization	(189,811)	-	-	(189,811)
Insurance Reserve	(263)	-	-	(263)
Select Energy Fund	(100,000)	-	-	(100,000)
(Increase) Decrease in Assets/Deferred Outflows of Resources				
Accounts Receivable	(83,754)	22,854	(86,681)	(147,581)
Material and Supplies	770	-	-	770
Prepaid Expenses	(10,213)	-	-	(10,213)
Purchased Power Prepayments and Working Capital	(39,612)	-	-	(39,612)
Deferred Outflows of Resources - Pensions	-	53	659	712
Increase (Decrease) in Liabilities/Deferred Inflows of Resources				
Warrants and Accounts Payable	(16,198)	(20,835)	(14,776)	(51,809)
Customer Deposits	1,160	-	-	1,160
Other Accrued Expenses	8,822	-	-	8,822
Net Pension Liability	-	648	7,917	8,565
Other Post Employment Benefit Obligations	(59,414)	12,571	29,211	(17,632)
Net Cash Provided by Operating Activities	<u>\$ 34,769</u>	<u>\$ (43,832)</u>	<u>\$ 423,846</u>	<u>\$ 414,783</u>

Town of Groton, Massachusetts
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015

	Private Purpose <u>Trust</u>	Agency <u>Funds</u>
Assets		
Cash and Cash Investments	\$12,841,907	\$ 490,021
Other Receivables	-	61,878
	<hr/>	<hr/>
Total Assets	12,841,907	551,899
	<hr/>	<hr/>
Liabilities		
Current:		
Other Liabilities	-	551,899
	<hr/>	<hr/>
Total Liabilities	-	551,899
	<hr/>	<hr/>
Net Position		
Expendable	2,340,763	-
Nonexpendable	10,501,144	-
	<hr/>	<hr/>
Total Net Position	\$ 12,841,907	\$ -
	<hr/> <hr/>	<hr/> <hr/>

Town of Groton, Massachusetts
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Fiscal Year Ended June 30, 2015

	Private Purpose <u>Trust</u>
Additions (Reductions)	
Gifts	\$ 3,315
Interest, Dividends, and (Losses)	284,998
Total Additions (Reductions)	<u>288,313</u>
Deductions	
Benefits Paid	<u>219,033</u>
Change in Net Position	<u>69,280</u>
Net Position:	
Beginning of the Year	<u>12,772,627</u>
End of the Year	<u><u>\$ 12,841,907</u></u>

Town of Groton, Massachusetts
Notes to the Financial Statements
June 30, 2015 (December 31, 2014 Electric
Enterprise Fund)

I. Reporting Entity

The accompanying financial statements present the financial position of the Town of Groton as of June 30, 2015. 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, 2015 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.

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, 2015. The budget amounts include special Town meeting votes applicable to June 30, 2015 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	\$ 32,743,266
Adjustments:	
Sixty Day Property Tax Accrual - Net	74,976
Fringe Benefits Reimbursement from Other Funds	
Reported as Other Departmental Revenue on Budget Basis	(727,838)
Earning Income of Stabilization Reported in Statement of Revenues, Expenditures, and Changes in Fund Balances	21,366
As Reported GAAP Statement	<u><u>\$ 32,111,770</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 32,858,885
Adjustments:	
July 1, 2014 Encumbrances	221,818
June 30, 2015 Encumbrances	(432,441)
Fringe Benefits Reimbursement from Other Funds	
Reported as Employee Benefits on Budget Basis	(727,838)
Debt Issuance cost on Refunding Bond	30,996
As Reported GAAP Statement	<u><u>\$ 31,951,420</u></u>

(D) Capital Assets

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

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

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

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

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

(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 do not meet the “available” criteria. The government wide financial statements (statement of net position) reflect deferred outflows of net position related to pensions.

(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, 2015 was as follows:

Governmental Activities:	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Land	\$ 28,684,795	\$ -	\$ -	\$ 28,684,795
Construction in Progress	8,807,448	80,753	(8,722,041)	166,160
Total Capital Assets Not Being Depreciated	<u>37,492,243</u>	<u>80,753</u>	<u>(8,722,041)</u>	<u>28,850,955</u>
Assets Being Depreciated:				
Buildings	13,709,770	-	(49,596)	13,660,174
Improvements Other Than Buildings	1,040,925	-	-	1,040,925
Infrastructure	12,064,092	8,468,365	-	20,532,457
Equipment	2,295,203	63,398	-	2,358,601
Vehicles	4,730,763	481,654	-	5,212,417
Total Capital Assets Being Depreciated	<u>33,840,753</u>	<u>9,013,417</u>	<u>(49,596)</u>	<u>42,804,574</u>
Less Accumulated Depreciation for:				
Buildings	(6,325,538)	(353,965)	42,596	(6,636,907)
Improvements Other Than Buildings	(262,989)	(79,364)	-	(342,353)
Infrastructure	(10,539,609)	(181,721)	-	(10,721,330)
Equipment	(1,336,722)	(146,865)	-	(1,483,587)
Vehicles	(2,903,275)	(399,395)	-	(3,302,670)
Total Accumulated Depreciation	<u>(21,368,133)</u>	<u>(1,161,310)</u>	<u>42,596</u>	<u>(22,486,847)</u>
Capital Assets Being Depreciated, Net	<u>12,472,620</u>	<u>7,852,107</u>	<u>(7,000)</u>	<u>20,317,727</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,964,863</u>	<u>\$ 7,932,860</u>	<u>\$ (8,729,041)</u>	<u>\$ 49,168,682</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 141,471
Public Safety	565,530
Education	34,914
Highways and Public works	227,330
Human Services	52,623
Culture and Recreation	139,442

Total Governmental Activities Depreciation Expense \$ 1,161,310

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Business-Type Activities:				
Land	\$ 1,486,276	\$ -	\$ -	\$ 1,486,276
Construction in Progress	1,535,047	2,990,529	(237,323)	4,288,253
Total Capital Assets Not Being Depreciated	<u>3,021,323</u>	<u>2,990,529</u>	<u>(237,323)</u>	<u>5,774,529</u>
Assets Being Depreciated:				
Distribution Plant	9,317,942	543,923	(58,435)	9,803,430
General Plant	2,353,798	24,375	(23,700)	2,354,473
Buildings	2,623,388	-	-	2,623,388
Improvements Other Than Buildings	154,805	-	-	154,805
Infrastructure	22,091,065	19,566	-	22,110,631
Equipment	609,770	-	-	609,770
Vehicles	102,675	-	(22,145)	80,530
Total Capital Assets Being Depreciated	<u>37,253,443</u>	<u>587,864</u>	<u>(104,280)</u>	<u>37,737,027</u>
Less Accumulated Depreciation for:				
Distribution Plant	(4,806,488)	(279,538)	58,435	(5,027,591)
General Plant	(481,482)	(70,614)	23,700	(528,396)
Buildings	(509,367)	(65,190)	-	(574,557)
Improvements Other Than Buildings	(42,571)	(7,740)	-	(50,311)
Infrastructure	(7,661,161)	(433,317)	-	(8,094,478)
Equipment	(398,694)	(37,763)	-	(436,457)
Vehicles	(61,440)	(8,916)	22,145	(48,211)
Total Accumulated Depreciation	<u>(13,961,203)</u>	<u>(903,078)</u>	<u>104,280</u>	<u>(14,760,001)</u>
Capital Assets Being Depreciated, Net	<u>23,292,240</u>	<u>(315,214)</u>	<u>-</u>	<u>22,977,026</u>
Business Type Activities Capital Assets, Net	<u>\$ 26,313,563</u>	<u>\$ 2,675,315</u>	<u>\$ (237,323)</u>	<u>\$ 28,751,555</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric	\$ 350,152
Sewer	155,233
Water	397,693
Total Business-Type Activities Depreciation Expense	<u>\$ 903,078</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 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>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Culture and Recreation	\$ -	\$ 2,985,474	\$ 2,985,474
Total Nonspendable:	<u>-</u>	<u>2,985,474</u>	<u>2,985,474</u>
Restricted for:			
General Government	-	1,365,914	1,365,914
Public Safety	-	726,783	726,783
Highways and Public Works	-	12,826	12,826
Human Services	-	148,960	148,960
Culture and Recreation	-	1,209,327	1,209,327
Debt Services	13,271	-	13,271
Total Restricted for:	<u>13,271</u>	<u>3,463,810</u>	<u>3,477,081</u>
Committed to:			
General Government	283,798	70,111	353,909
Public Safety	201,608	2,598	204,206
Highways and Public Works	180,000	-	180,000
Culture and Recreation	112,755	-	112,755
Total Committed to:	<u>778,161</u>	<u>72,709</u>	<u>850,870</u>
Assigned to:			
General Government	56,274	528,246	584,520
Public Safety	992	-	992
Highways and Public Works	15,882	-	15,882
Human Services	4,611	-	4,611
Culture and Recreation	27,349	-	27,349
Employee Benefits	13,517	-	13,517
Total Assigned to:	<u>118,625</u>	<u>528,246</u>	<u>646,871</u>
Unassigned	<u>3,551,544</u>	<u>(855)</u>	<u>3,550,689</u>
Total Fund Balances	<u>\$ 4,461,601</u>	<u>\$ 7,049,384</u>	<u>\$ 11,510,985</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 \$1,775,151. 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, 2015, \$189,776 of the Town's bank balance of \$7,151,192 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 189,776

The \$189,776 is restricted to one bank (Century Bank) that is rated in the "Blue Ribbon Bank" category (by Veribanc Rating Service) indicative of the highest rating allowed for an FDIC insured bank, and which is monitored quarterly by the Treasurer.

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, 2015, 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	\$ 2,229,055	\$ 200,086	\$ 764,897	\$ 1,264,072
Corporation Bonds	1,175,285	-	742,862	432,423
Money Markets	450,822	450,822	-	-
Certificate of Deposit	1,320,337	-	1,152,132	168,205
Equities	12,878,301	12,878,301	-	-
State Treasurer's Investment Pool	2,302,386	2,302,386	-	-
Total	<u>\$ 20,356,186</u>	<u>\$ 15,831,595</u>	<u>\$ 2,659,891</u>	<u>\$ 1,864,700</u>

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

ii) Property Taxes

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

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

iii) Warrants Payable

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

(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	\$ 472,639	\$ (111,884)	\$ 360,755
Non-Major Governmental	111,884	(472,639)	(360,755)
Total	<u>\$ 584,523</u>	<u>\$ (584,523)</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://www.middlesexretirement.org/MCRS%20Final%20Audit%20Report%2012-31-14%20Financial%20Statements%20and%20GASB%2068.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 of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

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, 2015 was 23.55% 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 \$1,560,704 for the year ending June 30, 2015.

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

At June 30, 2015, the Town reported a liability of \$19,495,870 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2014, the Town's proportion was 1.622876 %. Since this is the implementation year of GASB 68 the increase/decrease of its proportion measured as of December 31, 2013 was not calculated.

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 not reflected in the GELD financial statements (which are reported as of December 31, 2014), but will be reported in the next year end (December 31, 2015) financial statements. However, the Net Pension Liability and related GASB 68 pension amounts are reflected here in the June 30, 2015 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, 2015, the Town recognized pension expense of \$1,762,976. 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, 2014. 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, 2015, 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 earnings on pension plan investments	65,840	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 65,840</u>	<u>\$ -</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
2016	\$ 16,460
2017	16,460
2018	16,460
2019	16,460
2020	-
Thereafter	-
	<u>\$ 65,840</u>

Actuarial Assumptions

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

Valuation date	January 1, 2014			
Actuarial Cost Method	Entry age normal cost method			
Amortization Method	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.			
Remaining Amortization Period	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.			
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40. Asset value is adjusted to be within 20% of market value.			
Investment rate of return	7.875% (8% in previous valuation)			
Discount Rate	7.875% (previously 8.0%)			
Inflation	4.00%			
Projected Salary Increases	<u>Years of Service</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	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%
Cost of Living Adjustments	3.00% of first \$14,000			
Mortality Rates were based on the tables noted below:				
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%	6.60%
International developed markets equity	15.60%	7.10%
International emerging markets equity	6.50%	9.40%
Core fixed income	15.30%	2.20%
High yield fixed income	8.30%	4.70%
Real estate	9.90%	4.40%
Commodities	3.90%	4.40%
Short-term government money market	0.00%	1.80%
Hedge fund, GTAA. Risk parity	9.80%	3.90%
Private equity	11.10%	11.70%
	<u>100%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2014 (net of investment expenses) was 7.54%. 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	\$23,574,631	\$19,495,870	\$16,023,262

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://www.middlesexretirement.org/MCRS%20Final%20Audit%20Report%2012-31-14%20Financial%20Statements%20and%20GASB%2068.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, 2015. 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, 2015, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$1,086,092
Interest on Net OPEB Obligation	147,424
Adjustment to Annual Required Contribution	(204,942)
Annual OPEB Cost (Expense)	<u>1,028,574</u>
Contributions Made	(382,816)
Increase in Net OPEB Obligation	<u>645,758</u>
Net OPEB Obligation (NOO)- Beginning of Year	<u>3,685,612</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$4,331,370</u></u>

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

<u>Fiscal Year</u> <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

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 \$6,888,215 and the UAAL as a percentage of covered payroll was 112%.

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

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

General Fund

Property Taxes Receivable:

Real Estate Taxes		
2015	\$375,402	
2014	8,896	
2013	799	
2012	786	
2011	791	
	<hr/>	
Total Real Estate Taxes		<u>\$ 386,674</u>

(A) Assets (Continued)

Personal Property Taxes		
2015	3,499	
2014	<u>355</u>	
Total Personal Property Taxes		<u>3,854</u>
CPA Preservation		
2015	7,270	
2014	<u>96</u>	
Total CPA Preservation		<u>7,366</u>
Total Property Taxes Receivable		<u>\$ 397,894</u>
Tax Liens		<u>\$ 395,271</u>
Excise Taxes Receivable:		
Motor Vehicle Excise Tax		
2015	\$114,459	
2014	11,283	
2013	6,681	
2012	4,975	
2011	3,109	
2010	3,509	
2009	3,393	
2008	3,055	
2007	2,897	
2006 & Prior Year	<u>4,503</u>	
Tax Excise Receivable		<u>\$ 157,864</u>
Departmental - Ambulance		<u>\$ 135,209</u>
<u>Intergovernmental:</u>		
Due from Commonwealth of Massachusetts		
Other State Grant	\$ 13,222	
Massachusetts Highway	<u>516,173</u>	
Total Intergovernmental		<u>\$ 529,395</u>
Deferred Property Tax		<u>\$ 123,066</u>

(A) Assets (Continued)

Special Assessments:
Septic Betterments \$ 13,934

Enterprise Fund

Current:

User Charges

Electric \$ 1,291,421
Sewer 33,926
Water 134,610

Total User Charges \$ 1,459,957

Special Assessments:

Sewer - Current \$ 3,160
Sewer - Noncurrent 288,780

Total Special Assessments \$ 291,940

(B) Liabilities

i Short Term Notes Payable

The Town had various short term notes outstanding during the fiscal year ended June 30, 2015, 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>						
Sewerage Planning Design & EIR		\$ 110,000	\$ -	\$ 110,000	\$ -	
Four Corners Sewer Planning Design	0.50%	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	06/10/16
Total Governmental		<u>\$ 110,000</u>	<u>\$ 200,000</u>	<u>\$ 110,000</u>	<u>\$ 200,000</u>	
<u>Business-type Activities:</u>						
Light Building Construction	0.35%	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	
Total Business-type		<u>\$2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	

(B) Liabilities (Continued)

ii Long Term Debt

General obligation bonds outstanding at June 30, 2015, 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, 2015:

Governmental Activities:

General Obligation Bond

	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturities</u>	<u>Final Maturity</u>	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2015</u>
Bernier/Bissell Property	7/15/2001	\$ 850,000	4.50%	7/15/2019	\$ 261,500	\$ -	\$ 44,720	\$ 216,780
Bissell Property	7/15/2001	1,075,000	4.50%	7/15/2019	328,710	-	56,250	272,460
Fire Truck	11/15/2003	485,000	2.00%	11/1/2016	105,000	75,000	105,000	75,000
Gibbett Hill Conservation Rest	11/15/2003	3,000,000	2.80%	11/1/2022	1,400,000	1,200,000	1,400,000	1,200,000
Library	7/15/1999	1,831,464	4.00%	7/15/2017	366,510	-	96,560	269,950
Library	7/15/1999	364,000	4.00%	7/15/2017	74,670	-	19,360	55,310
Lost Lake Fire Station Remodel	11/15/2003	1,450,000	2.81%	11/1/2022	675,000	585,000	675,000	585,000
Norris Property	7/15/2001	750,000	4.50%	7/15/2019	232,540	-	39,670	192,870
Project Eval Report MWPAT - Town	11/6/2003	330,000	5.00%	8/1/2023	131,400	-	10,950	120,450
Senior Center Land & Bldg	7/15/1999	151,110	4.00%	7/15/2016	25,290	-	8,600	16,690
Shattuck Property	7/15/2001	500,000	4.50%	7/15/2019	153,130	-	26,080	127,050
Town Hall	7/15/1999	2,500,000	4.00%	7/15/2017	498,530	-	130,480	368,050
Title Five paid out from fund #29	8/1/2002	197,403	5.50%	8/1/2023	72,600	-	10,400	62,200
Land Acquisition - Lot 1, 6A & 6B, 7, & 8	7/1/2007	5,015,000	4.75%	12/15/2021	3,050,000	-	355,000	2,695,000
Fire Station	4/18/2013	7,730,000	2.75%	6/1/2035	7,495,000	-	280,000	7,215,000
				Total Governmental Activities	14,869,880	1,860,000	3,258,070	13,471,810

Business Type Activities:

General Obligation Bond

Sewer Betterment - Boston Rd	4/1/2008	310,940	4.50%	10/1/2025	199,801	-	16,648	183,154
Sewer Betterment - Old Ayer Rd	4/1/2008	155,960	4.50%	10/1/2025	100,199	-	8,353	91,846
MWPAT - Sewer	11/6/2003	330,000	5.00%	8/1/2023	48,600	-	4,050	44,550
G.E.L.D. Transformer	7/15/2001	750,000	4.50%	7/15/2019	224,120	-	38,280	185,840
G.E.L.D. Building Construction	8/1/2014	2,000,000	2.80%	11/1/2033	-	2,000,000	-	2,000,000
MWPAT	12/14/2006	1,234,434	2.00%	7/15/2026	858,725	-	58,422	800,303
Water System Upgrade	11/23/2004	4,417,366	5.00%	8/1/2024	2,805,515	-	210,515	2,595,000
				Total Business Type Activities	\$4,236,960	\$2,000,000	\$336,267	\$ 5,900,693

(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>
2016	\$1,373,070	\$381,436	\$421,932	\$213,779
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
2021-2025	3,158,600	642,795	2,399,535	397,424
2026-2030	2,100,000	390,813	737,069	131,428
2031-2035	<u>1,780,000</u>	<u>127,987</u>	<u>520,000</u>	<u>34,287</u>
	<u>\$13,471,810</u>	<u>\$2,605,913</u>	<u>\$5,900,693</u>	<u>\$1,438,158</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2015, are summarized as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2, 2015	Four Corners Sewer Planning Design	<u>\$200,000</u>
	Total	<u>\$200,000</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 & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2016	\$342,498	\$325,150
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>\$2,218,219</u>	<u>\$2,058,225</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 & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2016	\$570,619	\$518,000
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>\$2,060,008</u>	<u>\$1,860,050</u>

Economic Gain from Refunding Issue

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

iv Changes in Long Term Debt

Changes in the government's long-term liabilities for the year ended June 30, 2015 are as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Bonds Payable	\$ 14,869,880	\$1,860,000	\$ (3,258,070)	\$ 13,471,810	\$ 1,373,070
Add: Unamortized Premium	-	113,367	(11,655)	101,712	12,714
Total Bonds Payable	<u>14,869,880</u>	<u>1,973,367</u>	<u>(3,269,725)</u>	<u>13,573,522</u>	<u>1,385,784</u>
Lease Payable	76,389	-	(27,727)	48,662	28,763
Compensated Absences	347,477	82,157	(69,495)	360,139	36,014
Landfill Closure Costs	657,618	-	(10,000)	647,618	10,000
Net Pension Liability	15,271,250	1,403,927	(1,242,849)	15,432,328	-
Other Post Employment Benefits	<u>3,130,738</u>	<u>811,713</u>	<u>(185,384)</u>	<u>3,757,067</u>	<u>-</u>
Total Governmental Activities	<u>\$ 34,353,352</u>	<u>\$4,271,164</u>	<u>\$ (4,805,180)</u>	<u>\$ 33,819,336</u>	<u>\$ 1,460,561</u>
<u>Business Type Activities</u>					
Bonds Payable	\$ 4,236,960	\$2,000,000	\$ (336,267)	\$ 5,900,693	\$ 421,932
Add: Unamortized Premium	-	60,260	(1,255)	59,005	3,013
Total Bonds Payable	<u>4,236,960</u>	<u>2,060,260</u>	<u>(337,522)</u>	<u>5,959,698</u>	<u>424,945</u>
Compensated Absences	24,941	6,832	(4,988)	26,785	-
Net Pension Liability	834,419	74,650	(66,085)	842,984	-
Other Post Employment Benefits	<u>614,288</u>	<u>149,013</u>	<u>(166,645)</u>	<u>596,656</u>	<u>-</u>
Total Business Type Activities	<u>\$ 5,710,608</u>	<u>\$2,290,755</u>	<u>\$ (575,240)</u>	<u>\$ 7,426,123</u>	<u>\$ 424,945</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 water and sewer enterprise fund) adopted a fiscal 2016 operating and capital budget of \$38,638,878. Fiscal 2016 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	\$ 33,753,962
Enterprise and Community Preservation Funds	3,240,772
Other Available Funds	1,644,144
Total	<u>\$ 38,638,878</u>

VI. Landfill Closure and Post Closure Care Costs

As of June 30, 2015, the closure of the Town's landfill was effectively complete. In accordance with laws and regulations issued by the Massachusetts Department of Environmental Protection, the Town has capped the landfill. These laws also require the Town to perform certain maintenance and monitoring functions at the site for thirty years after the landfill is capped and closed. The Town estimates the closure and post closure care costs to be approximately \$700,000. The potential exists for changes to the estimates due to inflation or deflation, technology or applicable laws and regulations.

VII. Prior Period Adjustment

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 (\$16,036,968) was made to reflect the net pension liability and deferred outflows as of July 1, 2014. The net position previously reported was \$69,731,939. The net position after the adjustment was \$53,694,971.

VIII. Implementation of New GASB Pronouncements

During fiscal year 2015, the following GASB pronouncements were implemented:

- The GASB issued Statement #68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. The implementation of this pronouncement required a restatement of prior net position to reflect the net pension liability as of July 1, 2014, the recognition of the pension expense and the reporting of deferred outflows/inflows related to pensions. The notes to the financial statements and the Required Supplementary Information were enhanced to comply with Statement #68.

- The GASB issued Statement #69, Government Combinations and Disposals of Government Operations. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement #70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement #71, Pension Transitions for Contributions Made Subsequent to the Measurement Date. 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. 72 Fair Value Measurement and Application, which is required to be implemented in fiscal year 2016.
- 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. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is required to be implemented in fiscal year 2016.
- The GASB issued Statement No. 77 Tax Abatement Disclosures, which is required to be implemented in fiscal year 2017.

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 #73, 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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 27,828,446	\$ 27,755,167	\$ 27,689,578	\$ (65,589)
Excises	1,415,000	1,415,000	1,598,791	183,791
Penalties, Interest on Taxes and Excises	90,000	90,000	101,332	11,332
In Lieu of Taxes	190,000	190,000	226,027	36,027
Charges for Services	600,000	600,000	568,890	(31,110)
Other Departmental	950,000	950,000	1,091,377	141,377
Licenses and Permits	275,000	275,000	539,776	264,776
Fines and Forfeits	34,000	34,000	43,763	9,763
Earnings on Investments	10,000	10,000	17,477	7,477
Intergovernmental	811,298	811,298	857,265	45,967
Miscellaneous	-	-	8,990	8,990
Total Revenues	<u>32,203,744</u>	<u>32,130,465</u>	<u>32,743,266</u>	<u>612,801</u>
<u>Expenditures</u>				
General Government	2,427,341	2,487,047	2,373,759	113,288
Public Safety	3,909,862	4,051,177	3,894,578	156,599
Education	18,328,798	18,328,798	18,328,798	-
Highway and Public Works	1,655,566	1,840,745	1,963,555	(122,810)
Health and Human Services	308,303	308,303	266,061	42,242
Culture and Recreation	1,503,753	1,563,857	1,545,724	18,133
Debt Service	1,308,721	1,308,721	1,295,281	13,440
Intergovernmental	106,992	106,992	106,992	-
Employee Benefits	3,171,724	3,133,724	3,084,137	49,587
Total Expenditures	<u>32,721,060</u>	<u>33,129,364</u>	<u>32,858,885</u>	<u>270,479</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(517,316)</u>	<u>(998,899)</u>	<u>(115,619)</u>	<u>883,280</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	810,190	827,829	827,829	-
Transfers Out	(110,000)	(626,884)	(626,884)	-
Free Cash and Other Available Funds	40,000	1,020,828	1,020,828	-
Other Uses	(222,874)	(222,874)	(222,874)	-
Total Other Financing Sources (Uses)	<u>517,316</u>	<u>998,899</u>	<u>998,899</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>\$ 883,280</u>	<u>\$ 883,280</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>2015</u>	<u>2014</u>
Town's proportionate share of the net pension liability (asset) (%)	1.622876%	1.627086%
Town's proportionate share of the net pension liability (asset) (\$)	19,495,870	19,293,598
Town's covered-employee payroll	6,626,697	6,764,657
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	294.20%	285.21%
Plan fiduciary net position as a percentage of the pension liability	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>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>	<u>2006</u>
Contractually required contribution	\$ 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	\$ 833,966
Contributions in relation to the contractually required contribution	<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>	<u>(833,966)</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	6,626,697	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	23.55%	21.83%								

See Notes to the Required Supplementary Information

Required Supplementary Information
Town of Groton, Massachusetts
Schedule of Funding Progress - Other Post Employment Benefits
Fiscal Year Ended June 30, 2015

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%

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, 2015

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

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

Plan Membership:

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

See Notes to the Required Supplementary Information

Town of Groton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2015

(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://www.middlesexretirement.org/MCRS%20Final%20Audit%20Report%2012-31-14%20Financial%20Statements%20and%20GASB%2068.pdf> or by writing to the 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, 2015. 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, 2015, 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 19, 2016.

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 19, 2016