

TOWN OF GROVELAND, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2017

TOWN OF GROVELAND, MASSACHUSETTS

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JUNE 30, 2017

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Groveland Municipal Light Department as of December 31, 2016, which is both a major fund and 53%, 62%, and 79%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Groveland Municipal Light Department, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of June 30, 2017 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2016), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018 on our consideration of the Town of Groveland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Groveland, Massachusetts' internal control over financial reporting and compliance.

Power & Juliani, LLC

May 17, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Groveland, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Groveland's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets and liabilities, and deferred inflow/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, human services, culture and recreation, and interest. The business-type activities include the water, sewer, and electric light activities.

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund, community preservation fund, and the fire ladder truck fund are considered major funds for presentation purposes. These major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains one type of propriety fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, and electric light activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds. The Town uses the fiduciary funds to account for its OPEB trust fund, private purpose trust funds and agency funds.

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

Financial Highlights

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Groveland's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$17.8 million and the business-type activities by \$15.9 million at the close of the most recent year. Key components of the Town's activities are presented on the following page.

Governmental Activities

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 8,006,314	\$ 9,001,910
Capital assets.....	27,950,037	27,824,143
Total assets.....	<u>35,956,351</u>	<u>36,826,053</u>
Deferred Outflows of resources:		
Deferred outflows of resources related to pensions.....	<u>503,552</u>	<u>308,184</u>
Liabilities:		
Current liabilities (excluding debt).....	176,661	188,335
Noncurrent liabilities (excluding debt).....	7,419,918	7,130,857
Current debt.....	571,268	1,391,670
Noncurrent debt.....	10,046,223	9,722,816
Total liabilities.....	<u>18,214,070</u>	<u>18,433,678</u>
Deferred Inflows of resources:		
Deferred inflows of resources related to pensions.....	<u>469,665</u>	<u>168,484</u>
Net Position:		
Net investment in capital assets.....	17,332,546	17,459,657
Restricted.....	3,450,083	3,202,025
Unrestricted.....	(3,006,461)	(2,129,607)
Total net position.....	<u>\$ 17,776,168</u>	<u>\$ 18,532,075</u>

Governmental net position of \$17.3 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$3 million. The primary reason for this deficit balance is the recognition of the \$1.5 million OPEB liability and the \$5.8 million net pension liability.

Governmental activities decreased the Town's net position by \$756,000 during 2017 as compared to an increase of \$391,000 in 2016. Overall, revenues remained consistent with the prior year, and expenses increased by \$1.1 million. Expenses increased for general government, public safety, educational assessments, public works, community development, health and human services, culture and recreation, and interest.

	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for services.....	\$ 620,229	\$ 506,801
Operating grants and contributions.....	316,701	375,355
Capital grants and contributions.....	361,647	600,539
General Revenues:		
Real estate and personal property taxes.....	13,434,812	13,264,552
Motor vehicle and other excise taxes.....	1,006,597	1,003,006
Nonrestricted grants.....	930,908	989,645
Unrestricted investment income.....	33,320	43,561
Other revenues.....	395,500	310,922
Total revenues.....	<u>17,099,714</u>	<u>17,094,381</u>
Expenses:		
General Government.....	1,733,917	1,699,780
Public Safety.....	2,757,317	2,497,059
Education.....	10,152,861	9,672,064
Public Works.....	1,948,144	1,766,628
Community Development.....	242,309	185,541
Human Services.....	292,747	287,074
Culture and Recreation.....	608,045	543,655
Interest.....	95,773	103,969
Total expenses.....	<u>17,831,113</u>	<u>16,755,770</u>
Excess (deficit) before transfers.....	(731,399)	338,611
Transfers.....	<u>(24,508)</u>	<u>52,219</u>
Change in net position.....	(755,907)	390,830
Net position - beginning	<u>18,532,075</u>	<u>18,141,245</u>
Net position - ending.....	<u>\$ 17,776,168</u>	<u>\$ 18,532,075</u>

Business-type Activities

The Town's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15.9 million at year end, an increase of \$636,000 over the prior year. The water, sewer, and electric light department's change in net position each amounted to \$103,000, (\$56,000), and \$589,000, respectively, during 2017.

Water Activities

Water business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.9 million at the close of 2017. Net investment in capital assets was \$3.6 million and unrestricted net position was \$368,000. Net position increased during 2017 by \$103,000 compared to an increase of \$64,000 in the prior year.

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 1,765,427	\$ 2,434,511
Capital assets.....	<u>6,062,620</u>	<u>5,407,275</u>
Total assets.....	<u>7,828,047</u>	<u>7,841,786</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions...	<u>43,935</u>	<u>26,888</u>
Liabilities:		
Current liabilities (excluding debt).....	35,410	39,015
Noncurrent liabilities (excluding debt).....	609,542	587,109
Current debt.....	190,325	1,615,000
Noncurrent debt.....	<u>3,065,000</u>	<u>1,785,000</u>
Total liabilities.....	<u>3,900,277</u>	<u>4,026,124</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>40,978</u>	<u>14,700</u>
Net Position:		
Net investment in capital assets.....	3,563,069	3,507,275
Unrestricted.....	<u>367,658</u>	<u>320,575</u>
Total net position.....	<u>\$ 3,930,727</u>	<u>\$ 3,827,850</u>
Program Revenues:		
Charges for services.....	\$ 1,015,603	\$ 929,135
Expenses:		
Water.....	<u>912,726</u>	<u>864,962</u>
Change in net position.....	102,877	64,173
Net position - beginning.....	<u>3,827,850</u>	<u>3,763,677</u>
Net position - ending.....	<u>\$ 3,930,727</u>	<u>\$ 3,827,850</u>

Sewer Activities

Sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.1 million at the close of 2017. Net investment in capital assets was \$1.7 million and unrestricted net position was \$407,000. Net position decreased during 2017 by \$56,000 compared to a decrease of \$237,000 in the prior year.

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 712,528	\$ 611,551
Noncurrent assets (excluding capital).....	68,025	142,392
Capital assets.....	<u>2,475,632</u>	<u>2,608,737</u>
Total assets.....	<u>3,256,185</u>	<u>3,362,680</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions....	<u>19,814</u>	<u>12,126</u>
Liabilities:		
Current liabilities (excluding debt).....	14,850	15,570
Noncurrent liabilities (excluding debt).....	318,352	296,990
Current debt.....	75,000	75,000
Noncurrent debt.....	<u>735,000</u>	<u>810,000</u>
Total liabilities.....	<u>1,143,202</u>	<u>1,197,560</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>18,481</u>	<u>6,629</u>
Net Position:		
Net investment in capital assets.....	1,706,941	1,765,046
Unrestricted.....	<u>407,375</u>	<u>405,571</u>
Total net position.....	<u>\$ 2,114,316</u>	<u>\$ 2,170,617</u>
Program Revenues:		
Charges for services.....	\$ 446,465	\$ 412,045
Expenses:		
Sewer.....	<u>562,274</u>	<u>631,456</u>
Excess (deficit) before transfers.....	(115,809)	(219,411)
Transfers.....	<u>59,508</u>	<u>(17,219)</u>
Change in net position.....	(56,301)	(236,630)
Net position - beginning.....	<u>2,170,617</u>	<u>2,407,247</u>
Net position - ending.....	<u>\$ 2,114,316</u>	<u>\$ 2,170,617</u>

Electric Activities

Electric business-type activities assets exceeded liabilities and deferred inflows of resources by \$9.8 million at the close of calendar year 2016. Net investment in capital assets was \$6.9 million and unrestricted net position was \$2.9 million. Net position increased during calendar year 2016 by \$589,000 compared to an increase of \$617,000 in the prior year.

Activities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Assets:		
Current assets.....	\$ 5,432,255	\$ 5,607,725
Capital assets.....	6,881,112	5,892,915
Total assets.....	<u>12,313,367</u>	<u>11,500,640</u>
Liabilities:		
Current liabilities (excluding debt).....	407,127	450,254
Noncurrent liabilities (excluding debt).....	2,087,826	1,804,237
Total liabilities.....	<u>2,494,953</u>	<u>2,254,491</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>140,230</u>	<u>6,745</u>
Net Position:		
Net investment in capital assets.....	6,881,112	5,892,915
Unrestricted.....	2,947,419	3,346,489
Total net position.....	<u>\$ 9,828,531</u>	<u>\$ 9,239,404</u>
Program Revenues:		
Charges for services.....	\$ 5,519,328	\$ 5,455,343
General Revenues:		
Unrestricted investment income.....	179,527	120,053
Total revenues.....	<u>5,698,855</u>	<u>5,575,396</u>
Expenses:		
Electric Light.....	5,074,728	4,923,380
Excess before transfers.....	624,127	652,016
Transfers.....	<u>(35,000)</u>	<u>(35,000)</u>
Change in net position.....	589,127	617,016
Net position - beginning.....	<u>9,239,404</u>	<u>8,622,388</u>
Net position - ending.....	<u>\$ 9,828,531</u>	<u>\$ 9,239,404</u>

Fiduciary Funds.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the Town's OPEB Trust fund. Its sister standard, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment benefits Other Than Pensions, is required to be implemented in FY2018. This standard will affect the financial statements themselves by requiring the Town to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.

Financial Analysis of the Government's Major Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$6.9 million, a decrease of \$122,000 from the prior year.

General Fund

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$2.7 million; total fund balance was also \$2.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balances both represent approximately 17% of total general fund expenditures.

The general fund decreased by \$172,000 during 2017, which was primarily due to the planned use of reserves to fund appropriations.

Community Preservation Major Fund

The Community Preservation fund had an ending fund balance at June 30, 2017 of \$2.4 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching State grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historical resources, land for recreational use and community housing. Revenues exceeded expenditures by \$193,000 during the current year.

Fire Ladder Truck Major Fund

The Fire Ladder Truck fund is used to account for financial resources to be used for the purchase of a ladder truck for the fire department. The fund issued \$735,000 of long-term debt during 2017 to finance the purchase of the ladder truck.

General Fund Budgetary Highlights

The Town of Groveland adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The original 2017 approved budget authorized \$16.4 million in appropriations and other amounts to be raised, along with \$9,000 of prior year carryforwards

Actual revenues exceeded budgeted amounts by \$112,000 and actual expenditures (including carryovers) were less than budgeted amounts by \$96,000.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming year and a five year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

During 2017 the Town expended \$1.1 million on governmental activities capital assets mainly consisting of the purchase of the firetruck. The business-type activities expended approximately \$2.1 million consisting mainly of additions to the electric plant as well as water mains.

Outstanding long-term debt of governmental activities, as of June 30, 2017, totaled \$4.3 million. The increase over the prior year is attributable to new debt issued offset by scheduled principal payments.

Outstanding long-term debt of the business type activities, as of June 30, 2017, totaled \$4.1 million, of which \$800,000 relates to sewer projects and \$3.3 million related to water projects. The increase over the prior year is attributable to new debt issued totaling \$1.5 million for the construction of water mains offset by scheduled principal payments.

The Town has also recorded a liability of \$6.2 million in capital assessments payable to Pentucket Regional School District associated with the construction and renovation of the Bagnell School.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents..... \$	6,295,202	\$ 2,114,887	\$ 8,410,089
Restricted cash and cash equivalents.....	-	83,432	83,432
Investments.....	570,446	3,436,868	4,007,314
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	55,184	-	55,184
Tax liens.....	500,251	-	500,251
Motor vehicle excise taxes.....	50,251	-	50,251
Water fees.....	-	578,415	578,415
Sewer fees.....	-	248,067	248,067
Electric light fees.....	-	636,189	636,189
Special assessments.....	-	42,938	42,938
Intergovernmental.....	476,512	-	476,512
Tax foreclosures.....	58,468	-	58,468
Inventory.....	-	11,561	11,561
Prepaid expenses.....	-	757,853	757,853
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	68,025	68,025
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	9,796,039	1,960,133	11,756,172
Depreciable.....	18,153,998	13,459,231	31,613,229
TOTAL ASSETS.....	35,956,351	23,397,599	59,353,950
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	503,552	214,096	717,648
LIABILITIES			
CURRENT:			
Warrants payable.....	74,665	309,902	384,567
Accrued payroll.....	58,210	7,283	65,493
Accrued interest.....	5,661	36,665	42,326
Customer deposits payable.....	-	98,162	98,162
Capital lease obligations.....	87,236	-	87,236
Compensated absences.....	38,125	5,375	43,500
Capital assessment payable.....	200,000	-	200,000
Bonds payable.....	284,032	265,325	549,357
NONCURRENT:			
Compensated absences.....	114,375	16,125	130,500
Other postemployment benefits.....	1,462,927	515,480	1,978,407
Net pension liability.....	5,842,616	2,484,115	8,326,731
Capital assessment payable.....	6,003,831	-	6,003,831
Bonds payable.....	4,042,392	3,800,000	7,842,392
TOTAL LIABILITIES.....	18,214,070	7,538,432	25,752,502
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions.....	469,665	199,689	669,354
NET POSITION			
Net investment in capital assets.....	17,332,546	12,151,122	29,483,668
Restricted for:			
Permanent funds:			
Nonexpendable.....	410,218	-	410,218
Community preservation.....	2,565,255	-	2,565,255
Gifts and grants.....	474,610	-	474,610
Unrestricted.....	(3,006,461)	3,722,452	715,991
TOTAL NET POSITION.....	\$ 17,776,168	\$ 15,873,574	\$ 33,649,742

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,733,917	\$ 418,095	\$ 107,451	\$ 2,177	\$ (1,206,194)
Public safety.....	2,757,317	142,139	35,089	-	(2,580,089)
Education.....	10,152,861	-	-	-	(10,152,861)
Public works.....	1,948,144	35,275	4,800	247,232	(1,660,837)
Community preservation.....	242,309	-	-	112,238	(130,071)
Human services.....	292,747	24,720	22,057	-	(245,970)
Culture and recreation.....	608,045	-	147,304	-	(460,741)
Interest.....	95,773	-	-	-	(95,773)
Total Governmental Activities.....	<u>17,831,113</u>	<u>620,229</u>	<u>316,701</u>	<u>361,647</u>	(16,532,536)
<i>Business-Type Activities:</i>					
Water.....	912,726	1,015,603	-	-	102,877
Sewer.....	562,274	446,465	-	-	(115,809)
Electric Light.....	<u>5,074,728</u>	<u>5,519,328</u>	-	-	<u>444,600</u>
Total Business-Type Activities.....	<u>6,549,728</u>	<u>6,981,396</u>	-	-	431,668
Total Primary Government.....	<u>\$ 24,380,841</u>	<u>\$ 7,601,625</u>	<u>\$ 316,701</u>	<u>\$ 361,647</u>	(16,100,868)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (16,532,536)	\$ 431,668	\$ (16,100,868)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	13,344,891	-	13,344,891
Tax liens.....	89,921	-	89,921
Motor vehicle excise taxes.....	1,006,597	-	1,006,597
Community preservation tax.....	294,761	-	294,761
Penalties and interest on taxes.....	63,794	-	63,794
Payments in lieu of taxes.....	36,945	-	36,945
Grants and contributions not restricted to specific programs.....	930,908	-	930,908
Unrestricted investment income.....	33,320	179,527	212,847
<i>Transfers, net</i>	<u>(24,508)</u>	<u>24,508</u>	<u>-</u>
Total general revenues and transfers.....	<u>15,776,629</u>	<u>204,035</u>	<u>15,980,664</u>
Change in net position.....	(755,907)	635,703	(120,204)
<i>Net Position:</i>			
Beginning of year.....	<u>18,532,075</u>	<u>15,237,871</u>	<u>33,769,946</u>
End of year.....	\$ <u><u>17,776,168</u></u>	\$ <u><u>15,873,574</u></u>	\$ <u><u>33,649,742</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

	General	Community Preservation	Fire Ladder Truck	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 2,542,279	\$ 2,451,069	\$ 32,377	\$ 1,269,477	\$ 6,295,202
Investments.....	245,759	-	-	324,687	570,446
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	47,827	7,357	-	-	55,184
Tax liens.....	500,251	-	-	-	500,251
Motor vehicle excise taxes.....	50,251	-	-	-	50,251
Intergovernmental.....	-	112,490	-	364,022	476,512
Tax foreclosures.....	58,468	-	-	-	58,468
TOTAL ASSETS.....	\$ 3,444,835	\$ 2,570,916	\$ 32,377	\$ 1,958,186	\$ 8,006,314
LIABILITIES					
Warrants payable.....	\$ 57,386	\$ 5,661	\$ -	\$ 11,618	\$ 74,665
Accrued payroll.....	57,688	-	-	522	58,210
TOTAL LIABILITIES.....	115,074	5,661	-	12,140	132,875
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	627,523	125,584	-	281,673	1,034,780
FUND BALANCES					
Nonspendable.....	-	-	-	410,218	410,218
Restricted.....	-	2,439,671	32,377	1,254,155	3,726,203
Assigned.....	17,376	-	-	-	17,376
Unassigned.....	2,684,862	-	-	-	2,684,862
TOTAL FUND BALANCES.....	2,702,238	2,439,671	32,377	1,664,373	6,838,659
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 3,444,835	\$ 2,570,916	\$ 32,377	\$ 1,958,186	\$ 8,006,314

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$	6,838,659
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		27,950,037
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,034,780
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		33,887
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(5,661)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(4,326,424)	
Capital lease obligations.....	(87,236)	
Compensated absences.....	(152,500)	
Other postemployment benefits.....	(1,462,927)	
Net pension liability.....	(5,842,616)	
Capital assessment payable.....	(6,203,831)	
Net effect of reporting long-term liabilities.....		<u>(18,075,534)</u>
Net position of governmental activities.....	\$	<u>17,776,168</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Community Preservation	Fire Ladder Truck	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 13,373,576	\$ -	\$ -	\$ -	\$ 13,373,576
Tax liens.....	49,375	-	-	-	49,375
Motor vehicle excise taxes.....	1,026,892	-	-	-	1,026,892
Penalties and interest on taxes.....	63,794	-	-	-	63,794
Payments in lieu of taxes.....	36,945	-	-	-	36,945
Intergovernmental.....	908,908	128,161	-	214,436	1,251,505
Departmental and other.....	233,882	-	-	516,559	750,441
Community preservation.....	-	294,761	-	-	294,761
Contributions.....	-	-	-	172,264	172,264
Investment income.....	20,801	12,519	-	-	33,320
TOTAL REVENUES.....	15,714,173	435,441	-	903,259	17,052,873
EXPENDITURES:					
Current:					
General government.....	758,418	-	-	608,468	1,366,886
Public safety.....	1,673,644	-	750,000	166,316	2,589,960
Education.....	10,089,025	-	-	-	10,089,025
Public works.....	1,345,097	-	-	323,101	1,668,198
Community development.....	-	242,309	-	-	242,309
Human services.....	198,383	-	-	37,259	235,642
Culture and recreation.....	233,196	-	-	211,664	444,860
Pension benefits.....	420,908	-	-	-	420,908
Property and liability insurance.....	132,193	-	-	-	132,193
Employee benefits.....	480,099	-	-	-	480,099
State and county charges.....	80,470	-	-	-	80,470
Debt service:					
Principal.....	185,000	-	-	-	185,000
Interest.....	142,108	-	-	-	142,108
TOTAL EXPENDITURES.....	15,738,541	242,309	750,000	1,346,808	18,077,658
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(24,368)	193,132	(750,000)	(443,549)	(1,024,785)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	734,675	160,000	894,675
Premium from issuance of bonds and notes.....	-	-	29,291	3,041	32,332
Transfers in.....	50,000	-	-	197,973	247,973
Transfers out.....	(197,973)	-	-	(74,508)	(272,481)
TOTAL OTHER FINANCING SOURCES (USES).....	(147,973)	-	763,966	286,506	902,499
NET CHANGE IN FUND BALANCES.....	(172,341)	193,132	13,966	(157,043)	(122,286)
FUND BALANCES AT BEGINNING OF YEAR.....	2,874,579	2,246,539	18,411	1,821,416	6,960,945
FUND BALANCES AT END OF YEAR.....	\$ 2,702,238	\$ 2,439,671	\$ 32,377	\$ 1,664,373	\$ 6,838,659

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds..... \$ (122,286)

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.

Capital outlay.....	1,141,577
Depreciation expense.....	<u>(1,015,683)</u>

Net effect of reporting capital assets..... 125,894

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....

46,841

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital assessment payments.....	262,285
Proceeds from bonds and notes.....	(894,675)
Debt service principal payments.....	185,000
Amortization of premiums on bonds.....	<u>14,830</u>

Net effect of reporting long-term debt..... (432,560)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in accrued interest.....	(827)
Net change in capital lease obligation.....	19,555
Net change in compensated absences accrual.....	9,400
Net change in other postemployment benefits.....	(264,602)
Net change in deferred outflow/(inflow) of resources.....	(105,813)
Net change in net pension liability.....	<u>(31,509)</u>

Net effect of recording long-term liabilities..... (373,796)

Change in net position of governmental activities..... \$ (755,907)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2016	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,187,012	\$ 421,523	\$ 506,352	\$ 2,114,887
Restricted cash and cash equivalents.....	-	-	83,432	83,432
Investments.....	-	-	3,436,868	3,436,868
Receivables, net of allowance for uncollectibles:				
User fees.....	578,415	248,067	636,189	1,462,671
Special assessments.....	-	42,938	-	42,938
Inventory.....	-	-	11,561	11,561
Prepaid expenses.....	-	-	757,853	757,853
Total current assets.....	1,765,427	712,528	5,432,255	7,910,210
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	68,025	-	68,025
Capital assets:				
Nondepreciable.....	1,250,929	255,004	454,200	1,960,133
Depreciable.....	4,811,691	2,220,628	6,426,912	13,459,231
Total noncurrent assets.....	6,062,620	2,543,657	6,881,112	15,487,389
TOTAL ASSETS.....	7,828,047	3,256,185	12,313,367	23,397,599
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions.....	43,935	19,814	150,347	214,096
LIABILITIES				
CURRENT:				
Warrants payable.....	-	937	308,965	309,902
Accrued payroll.....	5,100	2,183	-	7,283
Accrued interest.....	25,735	10,930	-	36,665
Customer deposits payable.....	-	-	98,162	98,162
Compensated absences.....	4,575	800	-	5,375
Bonds payable.....	190,325	75,000	-	265,325
Total current liabilities.....	225,735	89,850	407,127	722,712
NONCURRENT:				
Compensated absences.....	13,725	2,400	-	16,125
Other postemployment benefits.....	86,052	86,052	343,376	515,480
Net pension liability.....	509,765	229,900	1,744,450	2,484,115
Bonds payable.....	3,065,000	735,000	-	3,800,000
Total noncurrent liabilities.....	3,674,542	1,053,352	2,087,826	6,815,720
TOTAL LIABILITIES.....	3,900,277	1,143,202	2,494,953	7,538,432
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions.....	40,978	18,481	140,230	199,689
NET POSITION				
Net investment in capital assets.....	3,563,069	1,706,941	6,881,112	12,151,122
Unrestricted.....	367,658	407,375	2,947,419	3,722,452
TOTAL NET POSITION.....	\$ 3,930,727	\$ 2,114,316	\$ 9,828,531	\$ 15,873,574

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2016	Total
OPERATING REVENUES:				
Charges for services	\$ 1,015,603	\$ 446,465	\$ 5,378,021	\$ 6,840,089
Other fees.....	-	-	141,307	141,307
TOTAL OPERATING REVENUES	1,015,603	446,465	5,519,328	6,981,396
OPERATING EXPENSES:				
Cost of services and administration	671,612	402,909	1,408,817	2,483,338
Purchased power and production.....	-	-	3,369,353	3,369,353
Depreciation.....	166,831	133,105	296,558	596,494
TOTAL OPERATING EXPENSES	838,443	536,014	5,074,728	6,449,185
OPERATING INCOME (LOSS).....	177,160	(89,549)	444,600	532,211
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	-	179,527	179,527
Interest expense.....	(74,283)	(26,260)	-	(100,543)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(74,283)	(26,260)	179,527	78,984
INCOME (LOSS) BEFORE TRANSFERS.....	102,877	(115,809)	624,127	611,195
TRANSFERS:				
Transfers in.....	-	59,508	-	59,508
Transfers out.....	-	-	(35,000)	(35,000)
TOTAL TRANSFERS.....	-	59,508	(35,000)	24,508
CHANGE IN NET POSITION.....	102,877	(56,301)	589,127	635,703
NET POSITION AT BEGINNING OF YEAR.....	3,827,850	2,170,617	9,239,404	15,237,871
NET POSITION AT END OF YEAR.....	\$ 3,930,727	\$ 2,114,316	\$ 9,828,531	\$ 15,873,574

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2016	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 971,511	\$ 506,339	\$ 5,484,737	\$ 6,962,587
Payments to vendors.....	(310,508)	(237,468)	(3,859,661)	(4,407,637)
Payments to employees.....	(333,709)	(138,776)	(699,820)	(1,172,305)
NET CASH FROM OPERATING ACTIVITIES.....	327,294	130,095	925,256	1,382,645
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	-	59,508	-	59,508
Transfers out.....	-	-	(35,000)	(35,000)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	-	59,508	(35,000)	24,508
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	1,470,325	-	-	1,470,325
Acquisition and construction of capital assets.....	(822,176)	-	(1,284,755)	(2,106,931)
Principal payments on bonds and notes.....	(1,615,000)	(75,000)	-	(1,690,000)
Interest expense.....	(73,619)	(28,119)	-	(101,738)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,040,470)	(103,119)	(1,284,755)	(2,428,344)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments.....	-	-	(169,644)	(169,644)
Investment income.....	-	-	179,527	179,527
NET CASH FROM INVESTING ACTIVITIES.....	-	-	9,883	9,883
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(713,176)	86,484	(384,616)	(1,011,308)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,900,188	335,039	974,400	3,209,627
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,187,012	\$ 421,523	\$ 589,784	\$ 2,198,319
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 177,160	\$ (89,549)	\$ 444,600	\$ 532,211
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	166,831	133,105	296,558	596,494
Deferred outflows/(inflows) related to pensions.....	9,231	4,164	(16,862)	(3,467)
Changes in assets and liabilities:				
User fees.....	(44,092)	16,936	(38,470)	(65,626)
Special assessments.....	-	42,938	-	42,938
Prepaid expenses.....	-	-	(1,032)	(1,032)
Warrants payable.....	(4,826)	632	(47,006)	(51,200)
Accrued payroll.....	757	557	-	1,314
Customer deposits.....	-	-	3,879	3,879
Compensated absences.....	(800)	(200)	-	(1,000)
Other postemployment benefits.....	20,262	20,262	104,980	145,504
Net pension liability.....	2,771	1,250	178,609	182,630
Total adjustments.....	150,134	219,644	480,656	850,434
NET CASH FROM OPERATING ACTIVITIES.....	\$ 327,294	\$ 130,095	\$ 925,256	\$ 1,382,645

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 549	\$ 294,262	\$ 649,218
Investments.....	97,341	-	-
TOTAL ASSETS.....	97,890	294,262	649,218
LIABILITIES			
Liabilities due depositors.....	-	-	649,218
NET POSITION			
Restricted for OPEB benefits and other purposes.....	\$ <u>97,890</u>	\$ <u>294,262</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 85,000	\$ -
Employer contributions to pay benefit payments.....	177,756	-
Total contributions.....	262,756	-
Net investment income:		
Net change in fair value of investments.....	3,277	-
Interest.....	-	12,924
Total investment income (loss).....	3,277	12,924
TOTAL ADDITIONS.....	266,033	12,924
DEDUCTIONS:		
Administration.....	-	22,878
Benefit Payments.....	177,756	-
TOTAL DEDUCTIONS.....	177,756	22,878
CHANGE IN NET POSITION.....	88,277	(9,954)
NET POSITION AT BEGINNING OF YEAR.....	9,613	304,216
NET POSITION AT END OF YEAR.....	\$ 97,890	\$ 294,262

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Joint Ventures

The Town is a member of the Pentucket Regional School District that provides for the education of all levels of schools for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2017 assessment was \$8,917,130.

The Town is a member of the Whittier Regional Technical High School that serves the members' students seeking an education in academic and technical studies. The members share in the operations of the Whittier Regional Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Whittier Regional Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Whittier Regional Technical High School and the 2017 assessment was \$990,981.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation act fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, and for recreational use and community housing.

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

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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

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

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the Town's water activities.

The *sewer enterprise fund* is used to account for the Town's sewer activities.

The *electric light enterprise fund* is used to account for the Town's electric light activities.

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

The following fiduciary fund types are reported:

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

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

Water and Sewer

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

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

Intergovernmental

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

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

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Inventories of the electric light enterprise fund are stated at the lower of cost or market. Cost for materials and supplies inventories are determined by the first-in, first-out method.

H. Restricted Assets

Certain assets (customer deposits) of the electric light enterprise fund are classified as restricted as these amounts are available to the department only if a customer account is terminated with an outstanding balance.

I. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings and building improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land.....	N/A
Land improvements.....	20
Buildings.....	40
Machinery and equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

J. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

Unavailable revenue at the governmental fund financial statement level represents outstanding receivables that do not meet the available criterion for revenue recognition in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenues are reported as deferred inflows of resources. Unavailable revenues are recognized as revenue during the conversion of the government-wide (full accrual) financial statements.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Pensions

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

O. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

“Gifts and grants” represents restrictions placed on assets from outside parties, and consist primarily of gifts and federal and state grants.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

P. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

Q. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is retained by the fund.

R. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

S. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Groveland's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$6,548,837 and the bank balance totaled \$6,938,431. Of the bank balance, \$3,126,363 was covered by Federal Depository Insurance, \$19,955 was covered by Securities Investor Protection, \$2,178,665 was covered by the Depositors Insurance Fund, and \$1,613,448 was uninsured and uncollateralized.

For disclosure purposes, there were no significant differences in amounts or classifications of the Municipal Light Department's balances at June 30, 2017 as compared with the December 31, 2016 amounts presented above.

Investments

As of June 30, 2017, the Town had the following investments:

Investment Type	Fair Value	Maturities			Rating
		<1 Year	1-5 Years	> 5 Years	
Debt Securities:					
Municipal Bonds and Government Securities.....\$	1,742,532	\$ 165,599	\$ 972,488	\$ 604,445	Aaa to A
Corporate bonds.....	58,899	-	58,899	-	BBB to BBB+
		<u>\$ 165,599</u>	<u>\$ 1,031,387</u>	<u>\$ 604,445</u>	
Other Investments:					
Equities Securities.....	1,200,006				
Equity mutual funds.....	63,746				
Fixed Income Mutual Funds.....	42,585				
MMDT.....	2,489,019				
Mutual Funds.....	996,887				
Money Market Mutual Funds.....	399,694				
Total Investments.....\$	<u>6,993,368</u>				

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$1,742,532 of municipal bonds and government securities, \$58,889 of corporate bonds, \$1,200,006 of equities securities, \$63,746 of equity mutual funds, and \$42,585 of fixed income mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

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

Interest Rate Risk

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

Credit Risk

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

Fair Market Value of Investments

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of

the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value level:				
<u>Debt Securities:</u>				
Municipal Bonds and Government Securities	\$ 1,742,532	\$ 1,742,532	\$ -	\$ -
Corporate bonds.....	58,899	-	58,899	-
Total debt securities.....	1,801,431	1,742,532	58,899	-
<u>Other investments:</u>				
Equity securities.....	1,200,006	1,200,006	-	-
Equity mutual funds.....	63,746	63,746	-	-
Fixed Income Mutual Funds.....	42,585	42,585	-	-
Money Market Mutual Funds.....	399,694	399,694	-	-
Mutual Funds.....	996,887	996,887	-	-
Total other investments.....	2,702,918	2,702,918	-	-
Total Investments measured at fair value.....	4,504,349	\$ 4,445,450	\$ 58,899	\$ -
Investments measured at amortized cost:				
MMDT.....	2,489,019			
Total investments.....	\$ 6,993,368			

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

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

NOTE 3 – RECEIVABLES

At June 30, 2017, receivables for the individual major, non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 55,184	\$ -	\$ 55,184
Tax liens.....	500,251	-	500,251
Motor vehicle excise taxes.....	71,251	(21,000)	50,251
Intergovernmental.....	476,512	-	476,512
Total.....	<u>\$ 1,103,198</u>	<u>\$ (21,000)</u>	<u>\$ 1,082,198</u>

At June 30, 2017 (December 31, 2016 for the Electric Light fees), receivables for the water, sewer, and electric plant enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 578,415	\$ -	\$ 578,415
Sewer fees.....	248,067	-	248,067
Sewer special assessments.....	110,963	-	110,963
Electric light fees.....	636,189	-	636,189
Total.....	<u>\$ 1,573,634</u>	<u>\$ -</u>	<u>\$ 1,573,634</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation	Governmental Funds	Total
<u>Receivable and other asset types:</u>				
Real estate and other taxes.....	\$ 34,968	\$ 7,357	\$ -	\$ 42,325
Tax liens.....	500,251	-	-	500,251
Motor vehicle excise taxes.....	33,836	-	-	33,836
Intergovernmental.....	-	118,227	281,673	399,900
Tax foreclosures.....	58,468	-	-	58,468
Total.....	<u>\$ 627,523</u>	<u>\$ 125,584</u>	<u>\$ 281,673</u>	<u>\$ 1,034,780</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,796,039	\$ -	\$ -	\$ 9,796,039
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,287,465	-	-	1,287,465
Buildings and building improvements.....	8,301,534	13,500	-	8,315,034
Machinery and equipment.....	2,138,780	38,538	-	2,177,318
Vehicles.....	2,336,767	875,014	-	3,211,781
Infrastructure.....	22,805,971	214,525	-	23,020,496
Total capital assets being depreciated.....	36,870,517	1,141,577	-	38,012,094
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(454,162)	(36,080)	-	(490,242)
Buildings and building improvements.....	(5,938,516)	(182,852)	-	(6,121,368)
Machinery and equipment.....	(1,452,590)	(115,595)	-	(1,568,185)
Vehicles.....	(1,722,186)	(153,601)	-	(1,875,787)
Infrastructure.....	(9,274,959)	(527,555)	-	(9,802,514)
Total accumulated depreciation.....	(18,842,413)	(1,015,683)	-	(19,858,096)
Total capital assets being depreciated, net.....	18,028,104	125,894	-	18,153,998
Total governmental activities capital assets, net.....	\$ 27,824,143	\$ 125,894	\$ -	\$ 27,950,037

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 478,753	\$ -	\$ -	\$ 478,753
Construction in progress.....	-	772,176	-	772,176
Total capital assets not being depreciated.....	478,753	772,176	-	1,250,929
<u>Capital assets being depreciated:</u>				
Buildings.....	36,753	-	-	36,753
Machinery and equipment.....	310,760	-	-	310,760
Vehicles.....	24,307	-	-	24,307
Infrastructure.....	7,102,909	50,000	-	7,152,909
Total capital assets being depreciated.....	7,474,729	50,000	-	7,524,729
<u>Less accumulated depreciation for:</u>				
Buildings.....	(30,874)	(784)	-	(31,658)
Machinery and equipment.....	(225,113)	(29,302)	-	(254,415)
Vehicles.....	(24,307)	-	-	(24,307)
Infrastructure.....	(2,265,913)	(136,745)	-	(2,402,658)
Total accumulated depreciation.....	(2,546,207)	(166,831)	-	(2,713,038)
Total capital assets being depreciated, net.....	4,928,522	(116,831)	-	4,811,691
Total water enterprise capital assets, net.....	\$ 5,407,275	\$ 655,345	\$ -	\$ 6,062,620

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 255,004	\$ -	\$ -	\$ 255,004
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	19,450	-	-	19,450
Infrastructure.....	5,405,987	-	-	5,405,987
Total capital assets being depreciated.....	5,425,437	-	-	5,425,437
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(12,643)	(1,945)	-	(14,588)
Infrastructure.....	(3,059,061)	(131,160)	-	(3,190,221)
Total accumulated depreciation.....	(3,071,704)	(133,105)	-	(3,204,809)
Total capital assets being depreciated, net.....	2,353,733	(133,105)	-	2,220,628
Total sewer enterprise capital assets, net.....	\$ 2,608,737	\$ (133,105)	\$ -	\$ 2,475,632

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Light:				
<u>Capital assets not being depreciated:</u>				
Land and land improvements.....	\$ 454,200	\$ -	\$ -	\$ 454,200
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,027,626	1,010,505	-	2,038,131
Equipment.....	1,136,478	10,350	-	1,146,828
Infrastructure.....	7,077,848	263,900	-	7,341,748
Total capital assets being depreciated.....	9,241,952	1,284,755	-	10,526,707
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(143,091)	(40,763)	-	(183,854)
Equipment.....	(739,802)	(53,846)	-	(793,648)
Infrastructure.....	(2,920,344)	(201,949)	-	(3,122,293)
Total accumulated depreciation.....	(3,803,237)	(296,558)	-	(4,099,795)
Total electric light capital assets, net.....	5,438,715	988,197	-	6,426,912
Total capital assets being depreciated, net.....	\$ 5,892,915	\$ 988,197	\$ -	\$ 6,881,112

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

Governmental Activities:

General government.....	\$ 61,522
Public safety.....	176,971
Education.....	326,121
Public works.....	378,498
Human services.....	1,924
Culture and recreation.....	70,647

Total depreciation expense - governmental activities..... \$ 1,015,683

Business-Type Activities:

Water.....	\$ 166,831
Sewer.....	133,105
Electric light.....	296,558

Total depreciation expense - business-type activities..... \$ 596,494

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year end June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Sewer Enterprise Fund	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ -	\$ 197,973	\$ 197,973 (1)
Nonmajor Governmental Funds....	15,000	59,508	-	74,508 (2)
Electric Light Enterprise Fund.....	35,000	-	-	35,000 (3)
Total.....	<u>\$ 50,000</u>	<u>\$ 59,508</u>	<u>\$ 197,973</u>	<u>\$ 307,481</u>

- (1) Budgeted appropriation from the general fund to nonmajor governmental funds for capital articles voted at Annual Town Meeting.
- (2) Transfer to the general fund and to the sewer enterprise fund from special revenue funds.
- (3) Represents a payment in lieu of tax to the general fund from the Electric Light Department for administration.

NOTE 6 – CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of an excavator, a loader, and a sidewalk plow. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Asset:	Governmental Activities
Machinery and equipment.....	\$ 149,145
Less: accumulated depreciation.....	<u>(22,371)</u>
Total.....	<u>\$ 126,774</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Years Ending June 30,	Governmental Activities
2018.....	\$ <u>90,455</u>
Total minimum lease payments.....	90,455
Less: amounts representing interest.....	<u>(3,219)</u>
Present value of minimum lease payments.....	<u>\$ 87,236</u>

NOTE 7 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. The Town had the following short-term debt activity for the year ending June 30, 2017:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
Governmental Funds							
BAN	Bond anticipation note.....	1.20%	06/17/17	\$ 910,000	\$ -	\$ 910,000	\$ -
Water Enterprise Funds							
BAN	Bond anticipation note.....	1.20%	06/17/17	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -

NOTE 8 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Land acquisition.....	2035	\$ 3,675,000	2-4%	\$ 3,490,000	\$ -	\$ 185,000	\$ 3,305,000
Police Communications Console.....	2021	160,000	2.00%	-	160,000	-	160,000
Aerial Ladder Truck.....	2036	734,675	2-3.25%	-	734,675	-	734,675
Total governmental bonds payable.....				3,490,000	894,675	185,000	4,199,675
Unamortized premium.....				141,579	-	14,830	126,749
Total governmental bonds payable.....				\$ 3,631,579	\$ 894,675	\$ 199,830	\$ 4,326,424

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

Year	Principal	Interest	Total
2018.....	\$ 269,675	\$ 135,856	\$ 405,531
2019.....	265,000	126,762	391,762
2020.....	265,000	117,762	382,762
2021.....	265,000	108,762	373,762
2022.....	225,000	99,762	324,762
2023.....	225,000	91,562	316,562
2024.....	225,000	82,962	307,962
2025.....	225,000	74,362	299,362
2026.....	225,000	65,762	290,762
2027.....	225,000	59,938	284,938
2028.....	225,000	53,650	278,650
2029.....	225,000	47,362	272,362
2030.....	225,000	41,076	266,076
2031.....	215,000	34,326	249,326
2032.....	215,000	27,876	242,876
2033.....	215,000	21,426	236,426
2034.....	215,000	14,663	229,663
2035.....	215,000	7,901	222,901
2036.....	35,000	1,138	36,138
Totals.....	<u>\$ 4,199,675</u>	<u>\$ 1,212,907</u>	<u>\$ 5,412,582</u>

Bonds Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Water well.....	2032	120,000	2-3%	\$ 100,000	\$ -	\$ 5,000	\$ 95,000
Water storage tank & mains.....	2032	925,000	2-3%	775,000	-	40,000	735,000
Water storage tank & mains II.....	2032	700,000	2-3%	585,000	-	30,000	555,000
Water 1.....	2032	262,000	2-3%	160,000	-	25,000	135,000
Water 2.....	2032	338,000	2-3%	280,000	-	15,000	265,000
Water Mains.....	2037	1,470,325	2-3.250%	-	1,470,325	-	1,470,325
Total Water enterprise debt.....				<u>\$ 1,900,000</u>	<u>\$ 1,470,325</u>	<u>\$ 115,000</u>	<u>\$ 3,255,325</u>

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

Year	Principal	Interest	Total
2018.....	\$ 190,325	\$ 93,633	\$ 283,958
2019.....	190,000	89,825	279,825
2020.....	190,000	84,875	274,875
2021.....	205,000	79,925	284,925
2022.....	205,000	74,525	279,525
2023.....	175,000	69,125	244,125
2024.....	175,000	63,875	238,875
2025.....	185,000	58,625	243,625
2026.....	190,000	53,075	243,075
2027.....	190,000	47,375	237,375
2028.....	195,000	41,675	236,675
2029.....	200,000	35,825	235,825
2030.....	200,000	29,825	229,825
2031.....	210,000	23,825	233,825
2032.....	205,000	17,525	222,525
2033.....	70,000	11,375	81,375
2034.....	70,000	9,100	79,100
2035.....	70,000	6,825	76,825
2036.....	70,000	4,550	74,550
2037.....	70,000	2,274	72,274
Totals.....	\$ <u>3,255,325</u>	\$ <u>897,657</u>	\$ <u>4,152,982</u>

Bonds Payable Schedule – Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Sewer.....	2019	\$ 357,000	4.70%	\$ 105,000	\$ -	\$ 35,000	\$ 70,000
Sewer.....	2032	146,000	2-3%	125,000	-	5,000	120,000
Sewer pump station repairs.....	2032	625,000	2-3%	525,000	-	25,000	500,000
Sewer.....	2035	140,000	2-4%	130,000	-	10,000	120,000
Total Sewer enterprise debt.....				\$ <u>885,000</u>	\$ -	\$ <u>75,000</u>	\$ <u>810,000</u>

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

Year	Principal	Interest	Total
2018.....	\$ 75,000	\$ 25,024	\$ 100,024
2019.....	80,000	22,378	102,378
2020.....	45,000	20,106	65,106
2021.....	45,000	18,656	63,656
2022.....	45,000	17,206	62,206
2023.....	45,000	15,756	60,756
2024.....	45,000	14,306	59,306
2025.....	50,000	12,906	62,906
2026.....	50,000	11,356	61,356
2027.....	50,000	9,882	59,882
2028.....	50,000	8,394	58,394
2029.....	50,000	6,906	56,906
2030.....	55,000	5,418	60,418
2031.....	55,000	3,768	58,768
2032.....	55,000	2,118	57,118
2033.....	5,000	468	5,468
2034.....	5,000	312	5,312
2035.....	5,000	156	5,156
Totals.....	\$ <u>810,000</u>	\$ <u>195,116</u>	\$ <u>1,005,116</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town did not have any authorized and unissued debt outstanding.

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Governmental Activities:					
Long-term bonds.....	\$ 3,490,000	\$ 894,675	\$ (185,000)	\$ 4,199,675	\$ 269,675
Unamortized premium.....	141,579	-	(14,830)	126,749	14,357
Bonds payable, net.....	3,631,579	894,675	(199,830)	4,326,424	284,032
Capital lease obligations.....	106,791	-	(19,555)	87,236	87,236
Compensated absences.....	161,900	32,575	(41,975)	152,500	38,125
Other postemployment benefits.....	1,198,325	451,374	(186,772)	1,462,927	-
Net pension liability.....	5,811,107	472,311	(440,802)	5,842,616	-
Capital assessment payable.....	6,466,116	-	(262,285)	6,203,831	200,000
Total governmental activity long-term liabilities.....	\$ <u>17,375,818</u>	\$ <u>1,850,935</u>	\$ <u>(1,151,219)</u>	\$ <u>18,075,534</u>	\$ <u>609,393</u>

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Business-Type Activities:					
Long-term bonds.....	\$ 2,785,000	\$ 1,470,325	\$ (190,000)	\$ 4,065,325	\$ 265,325
Compensated absences.....	22,500	4,625	(5,625)	21,500	5,375
Net pension liability.....	2,301,485	357,023	(174,393)	2,484,115	-
Other postemployment benefits.....	369,976	206,008	(60,504)	515,480	-
Total business-type activity long-term liabilities.....	\$ 5,478,961	\$ 2,037,981	\$ (430,522)	\$ 7,086,420	\$ 270,700

NOTE 9 – CAPITAL ASSESSMENT PAYABLE

The Town has voted and authorized debt through the Pentucket Regional School District (PRSD) for renovations and construction at the Town’s Bagnell Elementary School. PRSD maintains the bonds payable on their ledgers and assesses the Town its portion over the life of the debt service. The capital assessment due as of June 30, 2017, based on expenditures incurred to date is \$6.2 million. The final repayment schedule has not yet been determined.

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to constraints imposed on the use of those resources.

There are two major types of fund balance, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported the principal portion of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year-end, the balance of the Town’s stabilization fund and capital stabilization fund were \$1,050,168 and \$75,540 respectively, and was reported as unassigned fund balance within the general fund.

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

	General	Community Preservation	Fire Ladder Truck	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 410,218	\$ 410,218
Restricted for:					
Community preservation fund.....	-	2,439,671	-	-	2,439,671
Fire ladder truck.....	-	-	32,377	-	32,377
Town capital projects fund.....	-	-	-	25,257	25,257
Town grant funds.....	-	-	-	359,050	359,050
Receipts reserved for appropriations.....	-	-	-	113,754	113,754
Special revenue trust funds.....	-	-	-	140,520	140,520
Town revolving funds.....	-	-	-	181,010	181,010
Town donation fund.....	-	-	-	115,560	115,560
Other special revenue funds.....	-	-	-	319,004	319,004
Assigned for carryover encumbrances to:					
General government.....	17,376	-	-	-	17,376
Unassigned.....	2,684,862	-	-	-	2,684,862
Total Fund Balances.....	\$ 2,702,238	\$ 2,439,671	\$ 32,377	\$ 1,664,373	\$ 6,838,659

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town participates in a health insurance risk pool trust administered by the Massachusetts Interlocal Insurance Association, Inc. (MIIA). The MIIA obtains health insurance for member governments at costs eligible to larger groups. The MIIA offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the MIIA. The Town is obligated to pay the MIIA its required premiums and, in the event the MIIA is terminated, its pro-rata share of any deficit, should one exist.

The Town participates in a premium-based workers compensation plan for its active employees. The Town is not liable for any payments in excess of the annual premium.

NOTE 12 – PENSION PLAN

Plan Descriptions

The Town is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 47 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 which was \$628,220, and 22.61% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$8,326,731 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the Town's proportion was 2.161%, which decreased by 0.118% from its proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$824,271. At June 30, 2017, the Town reported net deferred outflows/inflows of resources related to pensions of \$48,294.

The balances of deferred outflows and inflows at June 30, 2017 consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience..... \$	-	\$ (149,951)	\$ (149,951)
Net difference between projected and actual investment earnings on pension plan investments.....	364,753	-	364,753
Changes of assumptions.....	352,895	-	352,895
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	(519,403)	(519,403)
Total deferred outflows/(inflows) of resources..... \$	<u>717,648</u>	<u>\$ (669,354)</u>	<u>\$ 48,294</u>

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

Year ended June 30:

2017.....	\$ 25,890
2018.....	25,890
2019.....	33,807
2020.....	(30,931)
2021.....	<u>(6,362)</u>
Total.....	<u>\$ 48,294</u>

Actuarial Assumptions

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	The total appropriation is set to increase annually by 7.41% for five years, then by 6.36% for one year and 4% increases annually thereafter until the final year which will be 3.89%.
Remaining amortization period.....	18 years for the fresh start base.
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 year investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.

Projected salary increases.....	3.75% Ultimate rate, with steps. 7.50% year one, 6.5% year two, 6.00% year three, 5.50% year four, 5.00% year five
Cost of living adjustments.....	3% of the first \$13,00 of a members retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post- employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scaled BB and Generational Mortality set-forward by 2 years. Death is assumed to be used to the same cause as the disability 40% of the time.
Investment rate of return/Discount rate.....	7.75% per year

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Global Equity		
Large Cap Equities.....	7.50%	14.50%
Small/ Mid Cap Equities.....	7.75%	3.50%
International Equities.....	7.83%	16.00%
Emerging International Equities.....	9.61%	6.00%
Core Fixed Income		
Core Bonds.....	4.00%	5.00%
20+ Year Treasuries.....	3.75%	5.00%
TIPS.....	3.75%	3.00%
Value Added Fixed Income		
High- Yield Bonds.....	5.75%	1.50%
Bank Loans.....	6.00%	1.50%
EMD (External).....	5.75%	1.00%
EMD (Local Currency).....	6.50%	2.00%
Private Debt.....	9.06%	4.00%
Private Equity.....	9.50%	10.00%
Real Estate.....	6.50%	10.00%
Timberland.....	6.00%	4.00%
Hedge Funds and Portfolio Completion.....	6.48%	13.00%
Total.....		100.00%

Rate of return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability.....	\$ 10,189,857	\$ 8,326,731	\$ 6,948,341

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Groveland administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. During 2017, the Town contributed \$247,276 towards these benefits, including a pre-funding contribution of \$85,000 to the OPEB Trust Fund.

The annual money-weighted rate of return on OPEB plan investments was 10.60%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership- As of July 1, 2016, the most recent actuarial valuation, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents...	42
Current active members.....	<u>50</u>
Total.....	<u><u>92</u></u>

Components of OPEB Liability- The following table represents the components of the Plan’s OPEB liability as of June 30, 2017.

Total OPEB liability.....	\$ 6,571,066
Less: OPEB plan's fiduciary net position.....	<u>(97,890)</u>
Net OPEB liability.....	<u><u>\$ 6,473,176</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability....	1.49%
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Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2016 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2017 to be in accordance with GASB #74:

Actuarial Cost Method.....	Individual Entry Age Normal.
Asset valuation method.....	Market value of assets as of the reporting date, June 30, 2017.
Investment rate of return.....	6.73%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	3.13% as of June 30, 2017.
Single equivalent discount rate.....	4.75, net of OPEB plan investment expense, including inflation.
Inflation.....	2.75% as of June 30, 2017 and for future periods.
Salary increases.....	3.00% annully as of June 30, 2017 and for future periods.
Pre-Retirement mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality.....	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

Investment Policy

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term related rate of return on OPEB investments was determined using the Town’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (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 Plan’s expected future real rate of return of 4.23% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of turn of 6.98%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2017 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Cap.....	25.00%	4.00%
Domestic Equity - Small/Mid Cap.....	9.25%	6.00%
International Equity - Development Market.....	11.50%	4.50%
International Equity - Emerging Market.....	7.50%	7.00%
Domestic Fixed Income.....	26.50%	2.00%
International Fixed Income.....	5.25%	3.00%
Alternatives.....	14.50%	6.50%
Real Estate.....	0.00%	6.25%
Cash.....	0.50%	0.00%
Total.....	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 4.75% as of June 30, 2017. The discount rate is a blend of the long-term expected rate of return on OPEB Trust Fund assets and a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher; which was selected from the S&P Municipal Bond 20 – Year High Grade Rate Index (3.13% for 2017).

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.75% as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage point lower (3.75%) or 1-percentage point higher (5.75%) than the current rate.

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB liability..... \$	7,759,054	6,473,176	5,507,807

Sensitivity of the net OPEB liability to changes in the healthcare trend rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 5.00%, as well as what the other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%).

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability..... \$	5,118,045	6,473,176	8,298,604

Annual OPEB Cost and Net OPEB obligation – The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 513,564
Interest on net OPEB obligation.....	63,034
Adjustments to annual required contribution.....	<u>80,784</u>
Annual OPEB cost/expense.....	657,382
Contributions made.....	<u>(247,276)</u>
Increase in net OPEB obligation.....	410,106
Net OPEB obligation - beginning of year.....	<u>1,568,301</u>
Net OPEB obligation - end of year.....	<u><u>\$ 1,978,407</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the previous two years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 657,382	37.6%	\$ 1,978,407
6/30/2016	723,693	39.4%	1,568,301
6/30/2015	404,656	37.9%	1,311,619

Funded Status and Funding Progress – As of July 1, 2016, the most recent actuarial valuation date for GASB Statement #45, the actuarial accrued liability for the benefits was \$7,096,791 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,971,670 million, and the ratio of the UAAL to the covered payroll was 238.8%.

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

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8% initially, graded to 5% over 5 years. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.0% per year. The remaining amortization period at July 1, 2016, is 21 years.

NOTE 14 – CONTINGENCIES

The Town has various legal actions and claims pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2018, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

Required Supplementary Information

Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 13,385,629	\$ 13,408,741	\$ 13,384,443	\$ -	\$ (24,298)
Tax liens.....	-	-	49,375	-	49,375
Motor vehicle excise taxes.....	925,000	925,000	1,026,892	-	101,892
Penalties and interest on taxes.....	100,000	100,000	63,794	-	(36,206)
Payments in lieu of taxes.....	30,000	30,000	36,945	-	6,945
Intergovernmental.....	908,344	908,344	908,908	-	564
Departmental and other.....	225,000	225,000	233,882	-	8,882
Investment income.....	7,500	7,500	12,560	-	5,060
TOTAL REVENUES.....	15,581,473	15,604,585	15,716,799	-	112,214
EXPENDITURES:					
Current:					
General government.....	1,289,511	826,973	758,418	17,376	51,179
Public safety.....	1,670,876	1,691,826	1,673,644	-	18,182
Education.....	10,108,111	10,089,111	10,089,025	-	86
Public works.....	1,258,015	1,354,315	1,345,097	-	9,218
Human services.....	256,522	200,847	198,383	-	2,464
Culture and recreation.....	238,757	240,157	233,196	-	6,961
Pension benefits.....	426,907	421,007	420,908	-	99
Property and liability insurance.....	-	132,200	132,193	-	7
Employee benefits.....	138,000	484,050	480,099	-	3,951
Other.....	39,000	-	-	-	-
State and county charges.....	83,903	83,903	80,470	-	3,433
Debt service:					
Principal.....	185,000	200,325	200,325	-	-
Interest.....	126,013	127,013	126,783	-	230
TOTAL EXPENDITURES.....	15,820,615	15,851,727	15,738,541	17,376	95,810
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(239,142)	(247,142)	(21,742)	(17,376)	208,024
OTHER FINANCING SOURCES (USES):					
Use of fund balance for prior year carryforwards.....	9,142	9,142	-	-	(9,142)
Budgeted use of reserves.....	195,000	195,000	-	-	(195,000)
Budgeted use of free cash.....	527,973	565,973	-	-	(565,973)
Transfers in.....	50,000	50,000	50,000	-	-
Transfers out.....	(542,973)	(572,973)	(572,973)	-	-
TOTAL OTHER FINANCING SOURCES (USES)....	239,142	247,142	(522,973)	-	(770,115)
NET CHANGE IN FUND BALANCE.....	-	-	(544,715)	(17,376)	(562,091)
BUDGETARY FUND BALANCE, Beginning of year.....	2,111,137	2,111,137	2,111,137	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 2,111,137	\$ 2,111,137	\$ 1,566,422	\$ (17,376)	\$ (562,091)

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

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

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	2.331%	2.279%	2.161%
Town's proportionate share of the net pension liability (asset)..... \$	6,340,753	\$ 8,112,592	8,317,251
Town's covered employee payroll..... \$	2,557,548	\$ 2,663,576	2,778,252
Net pension liability as a percentage of covered-employee payroll.....	247.92%	304.58%	299.37%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%	51.01%	51.12%

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

See notes to required supplementary information.

**SCHEDULE OF TOWN CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM**

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

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

GASB 74 Schedules

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

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

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

GASB 45 Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

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

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

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 190,892
Interest.....	302,048
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(177,756)
Net change in total OPEB liability.....	315,184
Total OPEB liability- beginning.....	6,255,882
Total OPEB liability- ending (a).....	6,571,066
Plan fiduciary net position	
Contributions- employer	\$ 262,756
Net investment income.....	3,277
Benefit payments.....	(177,756)
Net change in plan fiduciary net position.....	88,277
Plan fiduciary net position- beginning.....	9,613
Plan fiduciary net position- ending (b).....	\$ 97,890
Town's net OPEB liability- ending (a)-(b).....	\$ 6,473,176
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.49%
Covered-employee payroll.....	2,971,670
Town's net OPEB liability as a percentage of covered-employee payroll.....	217.83%

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

See notes to required supplementary information.

**SCHEDULE OF TOWN CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 568,392
Contributions in relation to the actuarially determined contribution.....	(247,276)
Contribution deficiency (excess).....	\$ 321,116
Covered-employee payroll.....	\$ 2,971,670
Contributions as a percentage of covered- employee payroll.....	19.13%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30,
2017

Annual money-weighted rate of return, net of investment expense.....	10.60%
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The annual money-weighted rate of return has been calculated by the Pension Reserves Investment Management Board (PRIM).

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2016	\$ -	\$ 7,096,791	\$ 7,096,791	0%	\$ 2,971,670	238.8%
7/1/2013	-	3,965,043	3,965,043	0%	N/A	N/A
7/1/2010	-	3,769,044	3,769,044	0%	N/A	N/A
7/1/2007	-	4,970,436	4,970,436	0%	2,573,184	193.2%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2017	\$ 513,564	\$ 247,276	48.1%
2016	442,878	167,011	37.7%
2015	433,851	153,415	35.4%
2014	411,645	148,757	36.1%
2013	450,048	202,796	45.1%
2012	446,299	199,254	44.6%
2011	467,888	209,374	44.7%
2010	557,920	275,121	49.3%
2009	390,889	175,556	44.9%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2017

Actuarial Methods:

Valuation date	July 1, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization method	Amortization as level dollar amount over 30 years
Remaining amortization period	21 years as of July 1, 2016
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate	8.0% graded to 5.0% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	42
Current active members.....	<u>50</u>
Total.....	<u><u>92</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Massachusetts General Laws (MGL) requires the Town to adopt a balanced budget that is approved by Town Meeting. The Board of Selectmen presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 approved budget authorized \$16.4 million in appropriations and other amounts to be raised, along with \$9,000 of prior year carryforwards. There was a net increase of \$61,000 from the original budget to the final budget.

The Town Accountant has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

Net change in fund balance - budgetary basis.....	\$	(544,715)
<u>Perspective differences:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		383,241
<u>Basis of accounting differences:</u>		
Net change in revenues in recording 60 day receipts.....		<u>(10,867)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(172,341)</u></u>

NOTE B – PENSION PLAN***Pension Plan Schedules*****A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the Town's allocated percentage of the net pension liability (asset), the Town's proportionate share of the net pension liability, and the Town's covered employee payroll. It also demonstrates the Town's net position as a percentage of the Town's pension liability and the Town's net pension liability as a percentage of the Town's covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The Town's appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The Town's appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual Town contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Changes of Assumptions

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

The interest rate assumption was reduced from 8.00% to 7.75% to reflect anticipated future market performance.

D. Changes of Plan Provisions

None

NOTE C – OTHER POST-EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Other Postemployment Benefit Plan). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members.

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

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

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Schedule of Investment Returns

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

The Town

The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

The Schedule of Funding Progress

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

The Schedule of Employer Contributions

The Schedule of Employer Contributions presents multiyear trend information for the Town's required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions

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

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



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

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Groveland, Massachusetts

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements, and have issued our report thereon dated May 17, 2018. Our report includes a reference to another auditor who audited the financial statements of the Groveland Municipal Light Department as of December 31, 2016, as described in our report on the Town of Groveland, Massachusetts' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

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

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be material weaknesses:

- An inadequate design of internal control over the preparation of financial statements being audited has been noted. In addition, the Town does not have sufficient internal controls in place to assure that all activity recorded within the general ledger is complete and accurate and supported by adequate documentation.

Compliance and Other Matters

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

Purpose of this Report

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

Powers + Juliani, LLC

May 17, 2018