

VILLAGE OF GROTON

Groton, New York

FINANCIAL REPORT

May 31, 2015



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Certified Public Accountants | Business Advisors

VILLAGE OF GROTON

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INDEPENDENT AUDITOR'S REPORT

Mayor and Village Trustees
Village of Groton
Groton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Groton (the Village), as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Groton as of May 31, 2015, 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, budgetary comparison information and the Schedule of Funding Progress on pages 3-3j and 42-46 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2016, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 18, 2016

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

Our discussion and analysis of the Village of Groton's (the Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended May 31, 2015. This section is a summary of the Village's financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed in the current year. Please read it in conjunction with the Village's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The assets of the Village's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$6,482,280 (net position). To meet the government's ongoing obligations to citizens and creditors, \$162,703 (unrestricted net position) may be used. The net position of the Village's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$1,459,190.
- The Village's net position decreased by \$(157,718); a decrease of \$(169,110) or (2.5)% for Governmental Activities offset by an increase of \$11,392 or 0.8% for Business-type Activities.
- The General Fund recorded an increase of \$167,871 in 2015 and had a fund balance at the end of the year of \$418,006.
- The debt and other long term obligations of the Village increased by \$198,742 or 8.6% during the current fiscal year, mainly as a result of an increase in other postemployment benefits and an increase in bond anticipation notes, offset by loan payments.
- The resources available for appropriation in the General Fund were \$110,266 more than budgeted and expenditures were \$199,151 less than budgeted. The difference between budgeted and actual revenues is mainly due to increases in payments in lieu of taxes and sales tax revenue. The decrease in budget versus actual expenditures is primarily due to cost containment and a decrease in employee benefits expense due to less full-time positions.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 4-5a) provide information about the Village as a whole and present a longer-term view of the Village's finances. Governmental Fund financial statements start on page 6. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the Village's operations in greater detail than the Government-wide financial statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements. The report also contains budgetary comparison schedules for the General, Water, and Sewer Funds.

Reporting the Village as a Whole

Our analysis of the Village as a whole begins on page 4, with the Government-wide financial statements. The Statement of Net Position and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer the question of whether the Village, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

These two statements report the Village's net position and changes in them. One can think of the Village's net position, the difference between assets and liabilities, as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities, we separate the Village into three kinds of activities:

Governmental Activities: Most of the Village's services are reported in this category, including public safety, public health, economic assistance, transportation, home and community, culture and recreation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

Business-type Activities: The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's electric utility operations are reported here.

Component Units: The Village includes two separate legal entities in its report - the Housing Authority and Industrial Development Agency. Although legally separate, these component units are important because the Village is financially accountable for them. Complete financial statements for the Housing Authority can be obtained from its administration office.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

Reporting the Village's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the Village's Major Funds begins on page 6. The Governmental Fund financial statements provide detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The Village's two kinds of funds - Governmental and Proprietary - use different accounting approaches.

Governmental Funds: All of the Village's services are reported in the Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the Village's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The relationship (or differences) between Governmental Activities (reported in the Government-wide financial statements) and Governmental Funds is explained in a reconciliation following the Governmental Fund financial statements.

Proprietary Funds: When the Village charges customers for the services it provides - whether to outside customers or to other units of the Village - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Village's Enterprise Funds (a component of Proprietary Funds) are the same as the Business-type Activities we report in the Government-wide financial statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

The Village as Trustee: The Village is the trustee, or fiduciary, for other assets that are held on behalf of others. All of the Village's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 13. We exclude these activities from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

THE VILLAGE AS A WHOLE

The Village's *combined* net position for fiscal year ended May 31, 2015 decreased from \$8,099,188 to \$7,941,470. The Village's investment in its capital assets (e.g. land, buildings, machinery and equipment and infrastructure), less any outstanding debt used to acquire those assets, has a balance of \$6,403,222 at May 31, 2015. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

Our analysis below focuses on the net position (Figures 1A and 1B), and changes in net position (Figures 2A and 2B), of the Village's Governmental and Business-type Activities.

Figure 1A
Net Position at May 31, 2015

	Governmental Activities	Business-type Activities	Total
<i>Current and other assets</i>	\$ 865,284	\$ 606,361	\$ 1,471,645
<i>Capital assets</i>	6,590,032	1,166,190	7,756,222
<i>Noncurrent assets</i>	977,497	369,024	1,346,521
Total Assets	8,432,813	2,141,575	10,574,388
<i>Current liabilities</i>	379,621	80,864	457,446
<i>Other liabilities</i>	1,570,912	601,521	2,175,472
Total Liabilities	1,950,533	682,385	2,632,918
<i>Net investment in capital assets</i>	5,279,580	1,166,190	6,445,770
<i>Restricted</i>	1,039,997	361,610	1,401,607
<i>Unrestricted</i>	162,703	(68,610)	94,093
Total Net Position	\$ 6,482,280	\$ 1,459,190	\$ 7,941,470

Figure 1B
Net Position at May 31, 2014

	Governmental Activities	Business-type Activities	Total
<i>Current and other assets</i>	\$ 832,954	\$ 536,684	\$ 1,369,638
<i>Capital assets</i>	6,721,872	1,235,091	7,956,963
<i>Noncurrent assets</i>	918,377	327,265	1,245,642
Total Assets	8,473,203	2,099,040	10,572,243
<i>Current liabilities</i>	272,308	154,375	426,683
<i>Other liabilities</i>	1,549,505	496,867	2,046,372
Total Liabilities	1,821,813	651,242	2,473,055
<i>Net investment in capital assets</i>	5,436,872	1,132,769	6,557,584
<i>Restricted</i>	1,020,876	321,096	1,341,972
<i>Unrestricted</i>	193,642	(6,067)	199,632
Total Net Position	\$ 6,651,390	\$ 1,447,798	\$ 8,099,188

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

The assets of the Village's Governmental Activities decreased (0.5)% or \$(40,390), primarily due to the decrease in net capital assets. The liabilities of the Village's Governmental Activities increased 7.1% or \$128,720, primarily due to an increase in other postemployment benefits liability. The net position of the Village's Governmental Activities decreased by (2.6)% or \$(169,110), due to a decrease in net investment in capital assets. The net position of the Village's Business-type Activities increased by 0.8% or \$11,392.

Figure 2A
Changes in Net Position at May 31, 2015

	Governmental Activities	Business-type Activities	Total
REVENUES			
<i>Program revenues:</i>			
Charges for services	\$ 780,980	\$ 1,690,228	\$ 2,471,208
Operating grants	74,068		74,068
<i>General revenues:</i>			
Property taxes and tax items	742,377		742,377
Nonproperty taxes	494,333		494,333
State sources	32,629		32,629
Other	245,299	4,096	249,395
Total Revenues	2,369,686	1,694,324	4,064,010
PROGRAM EXPENSES			
General government	285,916	119,643	405,559
Public safety	425,875		425,875
Public health	245,244		245,244
Transportation	416,980		416,980
Economic assistance and opportunity	6,810		6,810
Culture and recreation	181,111		181,111
Home and community services	941,485	1,561,511	2,502,996
Interest on long-term debt	35,375	1,778	37,153
Total Expenses	2,538,796	1,682,932	4,221,728
(DECREASE) INCREASE IN NET POSITION	\$ (169,110)	\$ 11,392	\$ (157,718)

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

Figure 2B
Changes in Net Position at May 31, 2014

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<i>REVENUES</i>			
<i>Program revenues:</i>			
<i>Charges for services</i>	\$ 778,304	\$ 1,715,737	\$ 2,494,041
<i>Operating grants</i>	28,841		28,841
<i>General revenues:</i>			
<i>Property taxes and tax items</i>	723,054		723,054
<i>Nonproperty taxes</i>	480,380		480,380
<i>State sources</i>	33,622		33,622
<i>Other</i>	399,804	5,483	405,287
<i>Total Revenues</i>	2,444,005	1,721,220	4,165,225
<i>PROGRAM EXPENSES</i>			
<i>General government</i>	306,889	91,383	398,272
<i>Public safety</i>	492,728		492,728
<i>Public health</i>	210,156		210,156
<i>Transportation</i>	442,187		442,187
<i>Economic assistance and opportunity</i>	6,400		6,400
<i>Culture and recreation</i>	204,316		204,316
<i>Home and community services</i>	1,184,237	1,681,425	2,865,662
<i>Interest on long-term debt</i>	34,124	3,679	37,803
<i>Total Expenses</i>	2,881,037	1,776,487	4,657,524
<i>(DECREASE) IN NET POSITION</i>	\$ (437,032)	\$ (55,267)	\$ (492,299)

Governmental Activities

The Village's tax revenues increased by 2.7% or \$19,323, primarily due to an increase in payments in lieu of taxes and sales tax revenue. Operating grants revenue increased by 157% or 45,227, due to an increase in aid received from the Consolidated Highway Improvement Program (CHIPS). Other revenues declined by \$155,947, due to a decline in Community Development loan activity; this also caused Home and Community services expenditures to decrease by \$(242,842).

Business-type Activities

Charges for services of the Village's Business-type Activities decreased by (1.5)% or \$(25,509), due to less sales of electrical power. Home and Community services expenditures decreased by (7.1)% or \$(119,914), due to less contracted work as a result of a decrease in electrical power sales.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

Figure 3A
Revenue by Source
Governmental Activities - 2015

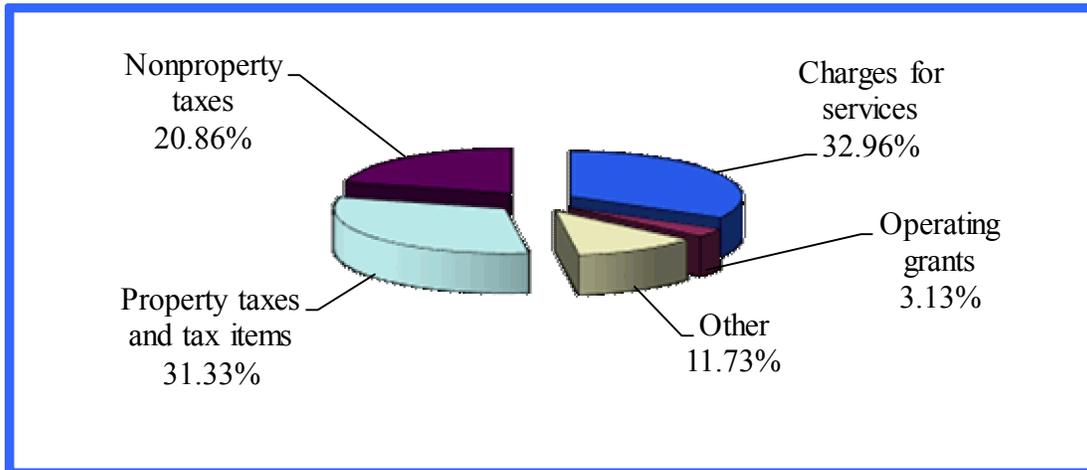
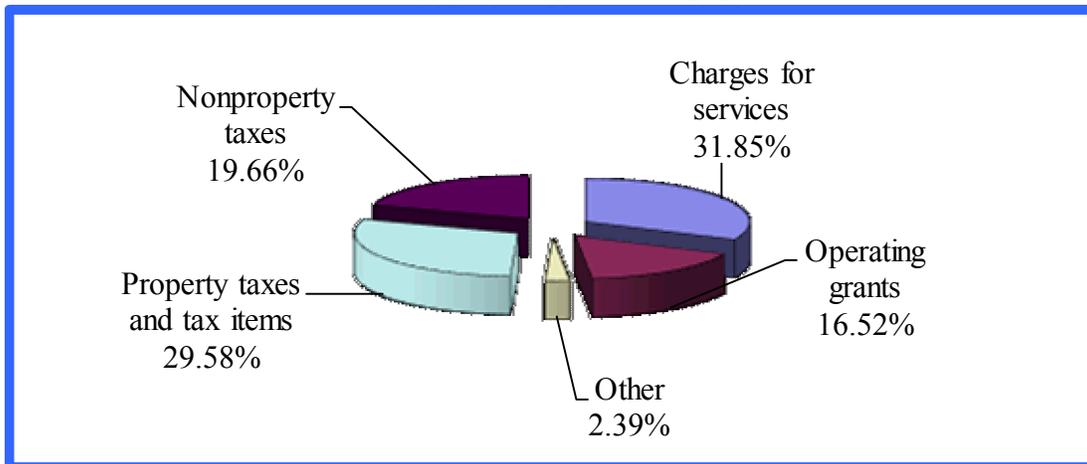


Figure 3B
Revenue by Source
Governmental Activities - 2014



The cost of all Governmental Activities this year was \$2,538,796. As shown in the Statement of Activities, some of the cost was paid by those who directly benefited from the programs \$(780,980), or by other governments and organizations that subsidized certain programs with grants and contributions \$(74,068). Overall, the Village's governmental program revenues, including fees for services and grants were \$855,048. The Village also reported all costs covered by charges, donations or grants, and \$1,514,638 in taxes and other revenues, such as interest and general entitlements.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

The total cost less revenues generated by activities, or the net cost, for each of the Village's largest programs is presented below. The net cost shows the financial burden that was placed on the Village's taxpayers by each of these functions.

Figure 4A
Net Program Cost
Governmental Activities - 2015

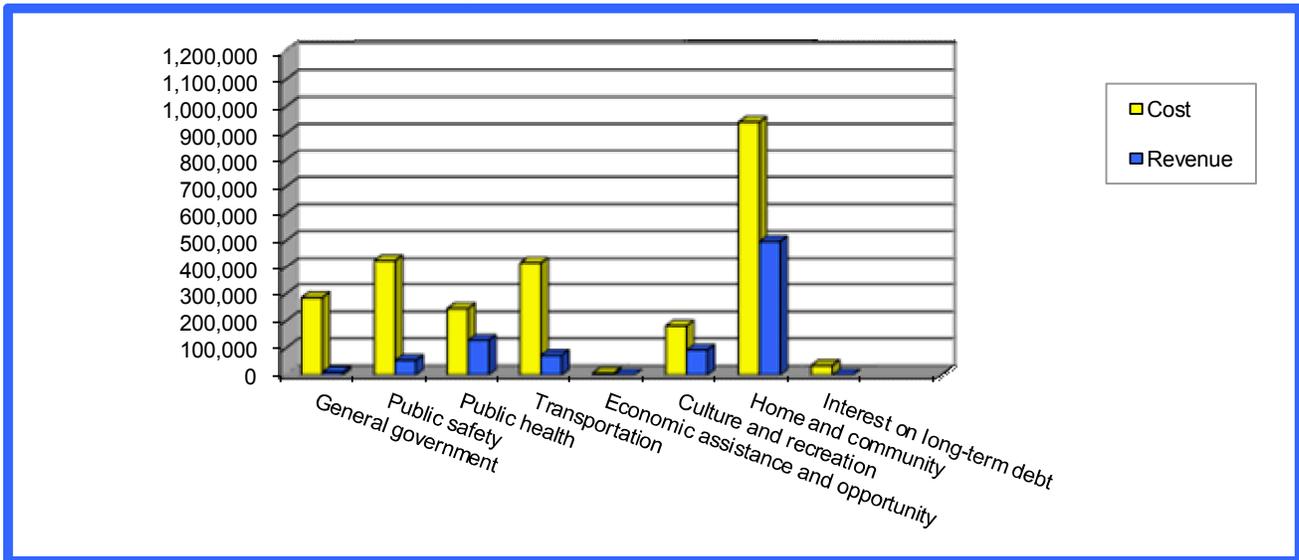
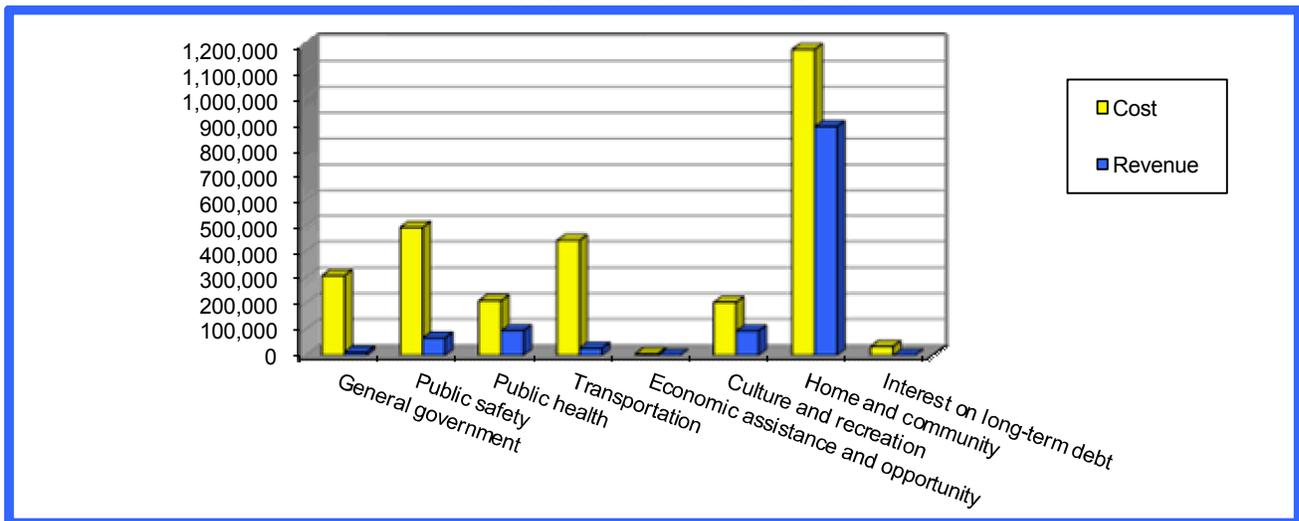


Figure 4B
Net Program Cost
Governmental Activities - 2014



VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

THE VILLAGE'S FUNDS

As the Village completed the year, its Governmental Funds, as presented in the Balance Sheet on pages 6-6a, reported a combined fund balance of \$1,020,284, which is \$28,744 more than last year's total of \$991,540. Figure 5 shows the changes in fund balances for the year for the Village's funds. The General Fund increased primarily as a result of an increase in non-property tax, and state and local source revenues. The Special Grant Fund increased mainly due to an excess of revenues compared to expenses. The Water Fund increased, due to departmental income exceeding expenditures incurred. The Sewer Fund decreased due to sewage treatment and disposal expenditures exceeding departmental income. The Capital Projects Fund decreased primarily because no State aid was received to reimburse capital expenditures incurred.

Figure 5
Major Governmental Funds
Fund Balance at Year Ending

	2014	2015	<i>Total Dollar Change 2014 - 2015</i>
<i>General Fund</i>	\$ 425,350	\$ 593,221	\$ 167,871
<i>Special Grant Fund</i>	112,843	132,875	20,032
<i>Water Fund</i>	337,182	344,955	7,773
<i>Sewer Fund</i>	137,680	113,862	(23,818)
<i>Capital Projects Fund</i>	(47,989)	(197,452)	(149,463)
<i>Non-Major Governmental Funds</i>	26,474	32,823	6,349
Total	\$ 991,540	\$ 1,020,284	\$ 28,744

General Fund Budgetary Highlights

Over the course of the year, the Village Board, as well as management of the Village, revised the Village budget several times. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget.

After these adjustments, the actual charges to appropriations (expenditures) were \$199,151 below the final budget amounts. Resources available for appropriation were \$110,266 above the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At May 31, 2015, the Village had capital assets of \$7,756,222, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment, streets and bridges. This amount represents a net decrease (including additions and deductions) of (2.5)% or \$(200,741) from last year.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

Figure 6
Capital Assets, Net of Depreciation or at Historical Cost

	Governmental Activities	Business-type Activities	Total
<i>Land and CIP</i>	\$ 306,963	\$ 12,271	\$ 319,234
<i>Buildings and improvements</i>	141,560	96,670	238,230
<i>Equipment</i>	357,210	1,057,249	1,414,459
<i>Infrastructure</i>	5,784,299	-0-	5,784,299
Total	\$ 6,590,032	\$ 1,166,190	\$ 7,756,222

Debt Administration

Debt (Bonds, BANS and loans payable) totaled \$1,381,113 as of May 31, 2015, as shown in Figure 7. Of this amount, \$106,411 is subject to the constitutional debt limit and represents 1.78% of the Village's statutory debt limit.

Figure 7
Major Outstanding Debt at Year Ending

	Governmental Activities	Business-type Activities	Total
<i>Bond Anticipation Notes</i>	\$ 240,000	\$ -0-	\$ 240,000
<i>Serial bonds and loans</i>	1,113,000	11,274	1,141,113
Total	\$ 1,353,000	\$ 11,274	\$ 1,381,113

The Village's Moody's bond rating, which did not change from the prior year, is currently ABB. More detailed information about the Village's liabilities is presented in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Late in 2015, the Village learned the Tompkins County Tax Freeze/Government Efficiency Plan, in which the Village participated, was approved by the New York State Department of Taxation and Finance. If the Village's 2016 tax levy stays under the tax cap, Village residents will receive a rebate. The Board of Trustees will strive to make this happen, however, the need for equipment, infrastructure repairs, and improvements are many and it may not be achieved.

Late in 2014, the Village received word it was awarded a NYS OCR grant in the amount of \$194,000 for public improvements. These funds were to be used to improve drainage in the West South Street and Williams Street areas of the Village. However, after further study, it was determined this amount would not be sufficient to implement the improvements properly. The Village reapplied for a grant from NYS OCR with increased funding (\$471,679). The Village received word in late 2015 it was awarded this grant. Work is projected to be undertaken in the summer of 2016.

VILLAGE OF GROTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2015

The Village has received word it will be receiving a grant from the New York State Dormitory Authority for improvements to Memorial Park on Sykes Street in the amount of \$140,000. Funds will be used to upgrade playground equipment and for improvements to the pool, bathhouse and pumphouse. The Village, as of late 2015, is waiting for the funds to be released from the State Budget Office.

It is projected there will be an increase in the sewer rates in 2016. This is due mainly to increased operation and maintenance costs at the wastewater treatment plant.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Charles V. Rankin, Clerk-Treasurer, at 143 Cortland Street, PO Box 100, Groton, New York 13073.

VILLAGE OF GROTON

STATEMENT OF NET POSITION MAY 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	12/31/2014	5/31/2015
				Housing Authority	Industrial Development Agency
ASSETS					
Current Assets:					
Cash and cash equivalents - Unrestricted	\$ 395,425	\$ 311,636	\$ 707,061	\$ 30,526	\$ 40
Temporary investments	150,000		150,000		2,307
Other receivables, net	108,973	141,062	250,035	923	
Loans receivable - Current portion	50,000		50,000		
Due from other governments	160,886		160,886		
Prepaid expenses		55,598	55,598	15,234	
Inventories		98,065	98,065		
Total Current Assets	865,284	606,361	1,471,645	46,683	2,347
Noncurrent Assets:					
Restricted cash and cash equivalents	515,409	369,024	884,433	21,933	
Loans receivable - Long-term portion	462,088		462,088		
Restricted investments			-0-	110,261	
Land and construction in progress (See Note 4)	306,963	12,271	319,234	269,836	12,500
Depreciable capital assets, net of accumulated depreciation (See Note 4)	6,283,069	1,153,919	7,436,988	315,146	
Total Noncurrent Assets	7,567,529	1,535,214	9,102,743	717,176	12,500
Total Assets	8,432,813	2,141,575	10,574,388	763,859	14,847

VILLAGE OF GROTON
GROTON, NEW YORK

STATEMENT OF NET POSITION
MAY 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	12/31/2014	5/31/2015
				Housing Authority	Industrial Development Agency
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 23,152	\$ 30,359	\$ 53,511	\$ 40,562	\$
Accrued liabilities	15,867	27,974	43,841	1,814	
Interest payable	9,712	9	9,721	766	
Bond Anticipation Notes payable	240,000		240,000		
Due to other governments			-0-		12,500
Due to employees' retirement system	17,819		17,819		
Customer deposits		5,683	5,683	18,620	
Overpayments	526		526		
Unearned revenues	545		545		
Bonds Payable-Due within one year	72,000	16,839	88,839	3,514	
Total Current Liabilities	379,621	80,864	460,485	65,276	12,500
Noncurrent Liabilities:					
Bonds Payable-Due in more than one year	1,041,000	11,274	1,052,274	492,143	
Other postemployment benefits liability	484,211	536,908	1,021,119		
Compensated absences	45,701	53,339	99,040		
Total Noncurrent Liabilities	1,570,912	601,521	2,172,433	492,143	
Total Liabilities	1,950,533	682,385	2,632,918	557,419	12,500
NET POSITION					
Net investment in capital assets	5,279,580	1,166,190	6,445,770	89,325	
Restricted	1,039,997	361,610	1,401,607	110,261	
Unrestricted	162,703	(68,610)	94,093	6,854	2,347
Total Net Position	\$ 6,482,280	\$ 1,459,190	\$ 7,941,470	\$ 206,440	\$ 2,347

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2015

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Net (Expense) Revenue and Changes in Net Position			12/31/2014	5/31/2015
					Governmental Activities	Business-type Activities	Total	Housing Authority	Industrial Development Agency
Primary Government:									
Governmental Activities:									
General governmental support	\$ 285,916	\$ 10,865	\$ _____	\$ _____	\$ (275,051)	\$ _____	\$ (275,051)	\$ _____	\$ _____
Public safety	425,875	52,820	1,247	_____	(371,808)	_____	(371,808)	_____	_____
Public health	245,244	128,189	_____	_____	(117,055)	_____	(117,055)	_____	_____
Transportation	416,980	_____	72,821	_____	(344,159)	_____	(344,159)	_____	_____
Economic assistance and opportunity	6,810	_____	_____	_____	(6,810)	_____	(6,810)	_____	_____
Culture and recreation	181,111	92,205	_____	_____	(88,906)	_____	(88,906)	_____	_____
Home and community services	941,485	496,901	_____	_____	(444,584)	_____	(444,584)	_____	_____
Interest on long-term debt	35,375	_____	_____	_____	(35,375)	_____	(35,375)	_____	_____
Total Governmental Activities	2,538,796	780,980	74,068	-0-	(1,683,748)	-0-	(1,683,748)	-0-	-0-
Business-type Activities:									
Municipal Electric	1,682,932	1,690,228	_____	_____	_____	7,296	7,296	_____	_____
Total Business-type Activities	1,682,932	1,690,228	-0-	-0-	-0-	7,296	7,296	-0-	-0-
Total Primary Government	\$ 4,221,728	\$ 2,471,208	\$ 74,068	\$ -0-	(1,683,748)	7,296	(1,676,452)	-0-	-0-
Component Units:									
Housing Authority	\$ 350,237	\$ 321,561	\$ _____	\$ _____	_____	_____	_____	(28,676)	_____
Industrial Development Agency	8,000	6	_____	_____	_____	_____	_____	_____	(7,994)
Total Component Units	\$ 358,237	\$ 321,567	\$ -0-	\$ -0-	-0-	-0-	-0-	(28,676)	(7,994)

VILLAGE OF GROTON

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2015**

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Net (Expense) Revenue and Changes in Net Position			12/31/2014	5/31/2015
	Governmental Activities	Business-type Activities	Total	Housing Authority	Industrial Development Agency
<u>GENERAL REVENUES</u>					
Taxes:					
Property taxes, levied for general purposes	\$ 706,354	\$	\$ 706,354	\$	\$
Property tax items	36,023		36,023		
Sales taxes	457,077		457,077		
Other taxes	37,256		37,256		
Grants and contributions not restricted to specific programs	32,629		32,629		
Use of money and property	14,328	3,142	17,470		
Miscellaneous	219,717	954	220,671		
Gain on sale of capital assets	11,254		11,254		
 Total General Revenues	 1,514,638	 4,096	 1,518,734	 -0-	 -0-
 Change in Net Position	 (169,110)	 11,392	 (157,718)	 (28,676)	 (7,994)
 Net Position - Beginning of Year	 6,651,390	 1,447,798	 8,099,188	 235,116	 10,341
 Net Position - End of Year	 \$ 6,482,280	 \$ 1,459,190	 \$ 7,941,470	 \$ 206,440	 \$ 2,347

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

BALANCE SHEET - GOVERNMENTAL FUNDS MAY 31, 2015

	Major Funds				Non-Major Fund	Total Governmental Funds	
	General Fund	Special Revenue Funds			Capital Projects Fund		Recreation Fund
		Special Grant Fund	Water Fund	Sewer Fund			
ASSETS							
Cash and cash equivalents - Unrestricted	\$ 154,215		\$ 105,247	\$ 63,952	\$ 42,548	\$ 29,463	\$ 395,425
Cash and cash equivalents - Restricted	175,215	132,875	184,728	22,591			515,409
Temporary investments - Unrestricted	150,000						150,000
Due from other governments	144,679	12,500				3,707	160,886
Other receivables, net	5,315		57,664	45,994			108,973
Loans receivables		512,088					512,088
Total Assets	\$ 629,424	\$ 657,463	\$ 347,639	\$ 132,537	\$ 42,548	\$ 33,170	\$ 1,842,781
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 6,284		\$ 1,339	\$ 15,529			\$ 23,152
Accrued liabilities	11,555		1,345	3,146		347	16,393
Due to other governments	17,819						17,819
Bond Anticipation Notes payable					240,000		240,000
Unearned revenues	545						545
Total Liabilities	36,203	-0-	2,684	18,675	240,000	347	297,909
Deferred Inflows of Resources:							
Unavailable Revenue - Loan Principle and Interest Payments		524,588					524,588
Fund Balances:							
Restricted	175,215	132,875	184,728	22,591			515,409
Assigned	160,000		160,227	91,271		32,823	444,321
Unassigned	258,006				(197,452)		60,554
Total Fund Balances	593,221	132,875	344,955	113,862	(197,452)	32,823	1,020,284
Total Liabilities and Fund Balances	\$ 629,424	\$ 657,463	\$ 347,639	\$ 132,537	\$ 42,548	\$ 33,170	\$ 1,842,781

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION MAY 31, 2015

Total Governmental Fund Balances \$ 1,020,284

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Historical cost	\$ 12,155,878	
Accumulated depreciation	<u>(5,565,846)</u>	6,590,032

Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the funds. 524,588

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable		(9,712)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (1,113,000)	
Compensated absences	(45,701)	
Other postemployment benefits liability	<u>(484,211)</u>	<u>(1,642,912)</u>

Net Position of Governmental Activities		\$ <u>6,482,280</u>
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See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED MAY 31, 2015

	Major Funds				Non-Major Fund	Total Governmental Funds	
	General Fund	Special Revenue Funds			Recreation Fund		
	Special Grant Fund	Water Fund	Sewer Fund	Capital Projects Fund			
REVENUES							
Real property taxes	\$ 706,354	\$	\$	\$	\$	\$ 706,354	
Real property tax items	36,023					36,023	
Nonproperty tax items	492,411					492,411	
Departmental income	182,626	43,927	249,667	247,234	15,223	738,677	
Intergovernmental charges	49,312				29,365	78,677	
Use of money and property	13,537	178	409	132	50	14,328	
Licenses and permits	9,200					9,200	
Fines and forfeitures	275					275	
Sale of property and compensation for loss	11,254					11,254	
Miscellaneous local sources	4,640	212,367		210	2,500	219,717	
State sources	105,675					105,675	
Federal sources	1,022					1,022	
Total Revenues	1,612,329	256,472	250,076	247,576	50	47,110	2,413,613
EXPENDITURES							
General governmental support	193,021		21,010	6,500		220,531	
Public safety	296,404					296,404	
Public health	182,377					182,377	
Transportation	342,531					342,531	
Economic assistance and opportunity	6,810					6,810	
Culture and recreation	110,550				34,594	145,144	
Home and community services	21,457	236,440	130,798	191,602		580,297	
Employee benefits	234,962		36,759	38,633	6,167	316,521	

VILLAGE OF GROTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED MAY 31, 2015

	Major Funds				Non-Major Fund	Total Governmental Funds
	General Fund	Special Revenue Funds			Capital Projects Fund	
		Special Grant Fund	Water Fund	Sewer Fund		
EXPENDITURES (Continued)						
Debt Service:						
Principal	\$ 22,000	\$	\$ 40,000	\$ 20,000	\$	\$ 82,000
Interest	3,300		13,736	14,659	44	31,739
Capital outlay				190,515		190,515
Total Expenditures	1,413,412	236,440	242,303	271,394	190,559	40,761
Excess of Revenues/Expenditures	198,917	20,032	7,773	(23,818)	(190,509)	6,349
OTHER FINANCING SOURCES (USES)						
Interfund transfers in				31,046		31,046
Interfund transfers (out)	(31,046)					(31,046)
Redeemed from appropriations				10,000		10,000
Total Other Financing (Uses)/Sources	(31,046)	-0-	-0-	-0-	41,046	-0-
Excess of (Expenditures) and Other Financing (Uses) Over Revenues and Other Financing Sources	167,871	20,032	7,773	(23,818)	(149,463)	6,349
Fund Balances, Beginning of Year	425,350	112,843	337,182	137,680	(47,989)	26,474
Fund Balances, End of Year	\$ 593,221	\$ 132,875	\$ 344,955	\$ 113,862	\$ (197,452)	\$ 32,823

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MAY 31, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 28,744

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report purchases of capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 287,251	
Net book value of disposed equipment	(5,998)	
Depreciation expense	<u>(413,093)</u>	(131,840)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments	\$ <u>72,000</u>	72,000
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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 Governmental Funds.

Net change in accrued interest payable	\$ (3,636)	
Net change in compensated absences	(2,385)	
Net change in liability for other postemployment benefits	<u>(91,022)</u>	(97,043)

Revenues and expenses from activities that result in long-term assets are not recorded in the funds. This amount represents the net change in these revenues deferred in the funds.

Change in Net Position of Governmental Activities	\$ <u><u>(169,110)</u></u>
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See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF NET POSITION - PROPRIETARY FUND MAY 31, 2015

	<u>Business-type Activities</u> <u>Municipal Electric Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 311,636
Other receivables, net	141,062
Prepaid expenses	55,598
Inventories	98,065
Total Current Assets	<u>606,361</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	369,024
Capital assets, net	1,166,190
Total Noncurrent Assets	<u>1,535,214</u>
Total Assets	<u>2,141,575</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	30,359
Accrued liabilities	27,974
Interest payable	9
Loans payable, current portion	16,839
Customer deposits	5,683
Total Current Liabilities	<u>80,864</u>
Noncurrent Liabilities:	
Compensated absences	53,339
Loans payable	11,274
Other postemployment benefits payable	536,908
Total Noncurrent Liabilities	<u>601,521</u>
Total Liabilities	<u>682,385</u>
NET POSITION	
Net investment in capital assets	1,166,190
Restricted	361,610
Unrestricted	(68,610)
Total Net Position	<u>\$ 1,459,190</u>

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED MAY 31, 2015

	<u>Business-type Activities</u> <u>Municipal Electric Fund</u>
OPERATING REVENUES	
Departmental income	\$ 1,690,228
Miscellaneous local sources	954
Total Operating Revenues	<u>1,691,182</u>
OPERATING EXPENSES	
Current:	
General governmental support	119,643
Home and community services	<u>1,561,511</u>
Total Operating Expenses	<u>1,681,154</u>
Gain from Operations	<u>10,028</u>
NONOPERATING REVENUES (EXPENSES)	
Use of money and property	3,142
Interest expense	<u>(1,778)</u>
Total Nonoperating (Expenses)	<u>1,364</u>
Change in Net Position	11,392
Total Net Position, Beginning	<u>1,447,798</u>
Total Net Position, Ending	<u>\$ 1,459,190</u>

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED MAY 31, 2015

	Business-type Activities
	Municipal Electric Fund
Cash Flows from Operating Activities:	
Cash received from providing services	\$ 1,693,299
Cash payments - Employees	(444,761)
Cash payments - Suppliers	(1,002,948)
Net Cash Provided by Operating Activities	245,590
Cash Flows from Capital and Related Financing Activities:	
Principal payments on outstanding debt	(74,209)
Interest payments on outstanding debt	(1,778)
Net additions to depreciation reserves	(4,562)
Purchase of capital assets	(31,173)
Net Cash (Used) by Capital and Related Financing Activities	(111,722)
Cash Flows from Investing Activities:	
Purchase of investments	(40,514)
Interest income received	3,142
Net Cash (Used) by Investing Activities	(37,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,496
Cash and Cash Equivalents, June 1,	215,140
Cash and Cash Equivalents, May 31,	\$ 311,636
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:	
Gain from operations	\$ 10,028
Depreciation and amortization	102,914
Decrease in accounts receivable	7,649
(Increase) in prepaid expenses	14,218
Decrease in inventory	4,952
Increase in other postemployment benefits	109,598
Increase in compensated absences	1,946
(Decrease) in accounts payable	(3,489)
Increase in accrued liabilities	(42,912)
(Decrease) in customer deposits and unapplied credits	(12,653)
Net Cash Provided by Operating Activities	\$ 192,251

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS MAY 31, 2015

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 9,248	\$ 2,551
Total Assets	<u>9,248</u>	<u><u>2,551</u></u>
LIABILITIES		
Agency liabilities		\$ 2,551
Total Liabilities	<u>-0-</u>	<u><u>2,551</u></u>
NET POSITION		
Reserved for trusts	<u>9,248</u>	
Total Net Position	<u><u>\$ 9,248</u></u>	

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED MAY 31, 2015

	Private Purpose Trust Fund
ADDITIONS	
Miscellaneous local sources	\$ <u>10</u>
Total Additions	<u>10</u>
DEDUCTIONS	
Distributions	<u>1,128</u>
Total Deductions	<u>1,128</u>
Change in Net Position	<u>(1,118)</u>
Net Position - Beginning of Year	<u>10,366</u>
Net Position - End of Year	\$ <u><u>9,248</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of the Village of Groton (the Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Financial Reporting Entity

The Village of Groton, which was established in 1860, is governed by Village Law and other municipal laws of the State of New York and various local laws. The Mayor and four trustees are the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Clerk/Treasurer serves as chief fiscal officer.

The following basic services are provided: water, sewer, public safety (police and fire), and maintenance of highways and streets.

All Governmental Activities and functions performed for the Village of Groton are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

1. The primary government, which is the Village of Groton,
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, including legal standing, fiscal dependency, and financial accountability.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

1. Included in the Reporting Entity, as Discretely Presented Component Units

The Village of Groton Housing Authority (Housing Authority) is a non-profit organization formed to construct, own, and manage an apartment complex for elderly persons. The Village Trustees appoint the governing board of the Housing Authority. Additionally, the Village Trustees can remove appointed members of the Housing Authority at will. A separate report was issued for the Housing Authority and can be obtained by contacting the Housing Authority directly at 200 West Street, Groton, NY 13073.

The Village of Groton Industrial Development Agency is a Public Benefit Corporation established by the State Legislature to promote the development of businesses and light industry within the Village. A separate Board has been established by the Village Trustees to manage the operations of the Industrial Development Agency. This Board is administratively and financially dependent on the Village.

Section 870 of General Municipal Law indicates that the bonds or notes and other obligations of the Industrial Development Agency are not the debt of the Village, and the payment of such is payable out of the funds of the Industrial Development Agency. Financial statements can be obtained by contacting the Village of Groton directly at 143 East Cortland Street, Groton, NY 13073.

2. Included in the Reporting Entity, as a Joint Activity

The Village of Groton entered into a joint activity with the Town of Groton to provide recreational services directly to the citizens served by the governments. The purpose of the Fund is to hire a Joint Recreational Coordinator who will assist the Village and Town with the day-to-day administration of joint recreation programs. For the purposes of payroll management, recordkeeping, benefit programs, and general oversight, the Coordinator is an employee of the Village of Groton. Also, the Recreation Fund is not a legally separate entity. The Village and Town each bear any liability incurred by the Fund and share costs equally. Also, the Town will pay the Village \$12,000 annually for the purpose of maintenance and management of the Village's park facilities.

B. Basic Financial Statements

The Village's basic financial statements include both Government-wide (reporting the Village as a whole) and Governmental Funds financial statements (reporting the Village's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either Governmental or Business-type. The Village's general governmental support, public safety, health, transportation, economic assistance and opportunity, home and community services and culture and recreation, are classified as Governmental Activities.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. The focus of the Government-wide financial statements addresses the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

In the Government-wide Statement of Net Position, both the Governmental and Business-type Activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted. The Village first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the Village's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipients of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Depreciation on assets that are shared by essentially all of the Village's programs has been reported in general governmental support. Revenues which are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the Village.

2. Governmental Fund Financial Statements

The financial transactions of the Village are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

The Village records its transactions in the funds described below:

a. Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the Village's Governmental Funds:

1) Major Funds:

a) General Fund - The principal operating fund which includes all operations not required to be recorded in other funds.

b) Special Revenue Funds:

Special Grant Fund - Accounts for Community Development Block Grants.

Water Fund - Accounts for revenues derived from charges for water consumption and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

Sewer Fund - Accounts for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

c) Capital Projects Fund - Accounts for and reports financial resources to be used for the acquisition, construction, or renovation of the Village's major capital facilities, or equipment.

2) Non-Major Fund:

Recreation Fund - Accounts for joint recreation activities.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

b. Governmental Funds

The Proprietary Fund is used to account for ongoing organizations or activities similar to those often found in the private sector. Measurement focus is based upon determination of net income, financial position, and changes in financial position. The following Proprietary Fund is utilized:

- 1) Enterprise Utility - Municipal Electric Fund - The Enterprise Utility - Municipal Electric Fund, a Proprietary Fund Type, uses the accrual basis of accounting. It is used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services are to be financed or recovered primarily through user charges.

c. Fiduciary Funds:

Fiduciary Funds are used to account for assets held by the local government in a trustee or custodial capacity. The following are the Village's Fiduciary Fund types:

- 1) Agency Funds - Account for money and/or property received and held in the capacity of trustee, custodian or agent.
- 2) Private Purpose Trust Fund - Accounts for funds administered by the Village for the benefit of private concerns.

3. Component Units

The Village of Groton Housing Authority is a Proprietary Fund Type and uses the accrual basis of accounting. The Housing Authority's fiscal year end is December 31, and the amounts reported in the combined basic financial statements are for the year ended December 31, 2014. The Industrial Development Agency is a Proprietary Fund Type and uses the accrual basis of accounting. The Industrial Development Agency's fiscal year end is May 31, and the amounts reported in the combined basic financial statements are for the year ended May 31, 2015.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

1. Accrual Basis

The Government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual Basis

The Governmental Fund financial statements are prepared using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The Village considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when the asset is received. Exceptions to this general rule are 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

D. Property Taxes

Real property taxes are levied annually by the Village of Groton no later than June 1, and become a lien on June 1. Taxes are collected during the period June 1 to November 1.

Uncollected real property taxes are subsequently enforced by the County of Tompkins, in which the Village is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the Village no later than the forthcoming April 1.

Property tax revenues are recognized as revenues in the year they are levied and collected. Property taxes not collected within 60 days subsequent to fiscal year end are reported as unearned revenues.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Village considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. Temporary Investments

Temporary investments consist of certificates of deposit with original maturity dates of three months to one year.

G. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the Village to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the Village including Accounts Receivable, and Water and Sewer Rents Receivable.

H. Inventory

Inventory is valued utilizing the average cost method for Proprietary Funds.

I. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets are capitalized based on the following estimated useful lives and values:

<u>Description</u>	<u>Valuation Threshold</u>	<u>Estimated Useful Lives</u>
Buildings	\$ 5,000	30 years
Machinery and equipment	2,000	5-10 years
Infrastructure	5,000	15-40 years

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

J. Property, Plant, and Equipment - Proprietary Fund

Property, plant, and equipment acquired by the Proprietary Fund are stated at cost (or estimated historical cost). Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Transportation equipment	8 years
Communication equipment	20 years
Laboratory equipment	25 years
Office equipment	20 years
Buildings	40 years
Transmission overhead	35 years
Fixtures	33 years
Underground conduits	41 years

K. Other Postemployment Benefits

In addition to providing pension benefits, the Village of Groton provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village of Groton's employees may become eligible for these benefits if they reach normal retirement age while working for the Village of Groton. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village of Groton recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid in the governmental funds, and by recording an actuarially determined expense in the governmental activities, business type activities and proprietary fund.

L. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and/or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund Balance Sheet.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

M. Unearned Revenue

Unearned revenues arise when resources are received by the Village before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the Village has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

N. Vacation, Sick Leave, and Compensatory Absences

Village of Groton employees are granted vacation leave based primarily on the number of years of continuous service, up to 22 days per year. However, vacation leave does not accumulate.

Employees are granted sick leave at the rate of ten days per year and may accumulate no more than a maximum of 130 days. Employees who retire are either compensated for 50% of accumulated sick leave or given the option of using 60% of accumulated sick leave to pay their portion of ensuing health insurance premiums, so long as such is sufficient to pay said premium.

Estimated accumulated sick leave is recorded in the Proprietary Fund (BTA) as a liability and expense, and in Governmental Activities as a long-term liability if payable from future financial resources, or as a governmental fund liability and expenditures, if payable from current resources. See Notes 7-D and 7-E for the amounts recorded for compensated absences.

As of May 31, 2015, four employees are using 60% of their accumulated sick leave to pay for their portion of health insurance premiums and four employees have exercised the 50% lump sum payment option.

O. Insurance and Risk Management

The Village maintains insurance coverage for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. No settlements have exceeded insurance coverage in the past three years.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

P. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted - Consists of all other net resources that do not meet the definition of "restricted" or "net investment in capital assets."

2. Governmental Fund Financial Statements

The Village follows Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on, or specific purposes for which resources in a fund can be spent.

- **Nonspendable**

Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

- **Restricted**
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- **Committed**
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Trustees, prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned**
Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned**
Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Village has not adopted any resolutions to commit fund balance. Currently, fund balance is assigned by the Village Treasurer for encumbrances and designations. By resolution, the Village Board approves fund balance appropriations for next year's budget. The Village has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the Village applied expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

Q. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. All interfund activities between governmental activities are eliminated on the Statement of Net Position and the Statement of Activities.

R. Revenues

Substantially all Governmental Fund revenues are accrued.

S. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Village's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

***Note 2* Cash and Investments**

The Village of Groton's investment policies are governed by state statutes. In addition, the Village of Groton has its own written investment policy. Village of Groton's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Clerk-Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit at 105% of all deposits not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Villages.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. While the Village does not have a specific policy for custodial credit risk, New York State statutes govern the Village's investment policies, as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 2 Cash and Investments - Continued

The Village's aggregate bank balances of \$1,686,637 and the aggregate bank balances of \$54,807 of the component units of the Village were collateralized.

The Village has few investments and chooses to disclose its investments by specifically identifying each. The Village's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- a. Insured or registered, or investments held by the Village or by the Village's agent in the Village's name, or
- b. Uninsured and unregistered, with investments held by the financial institution's trust department in the Village's name, or
- c. Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the Village's name.

	Cost	Carrying Amount Fair Value	Type of Investment Certificate of Deposit	Category
General Fund	\$ 150,000	\$ 150,000		(1)

The Village does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The Village does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

A. Restricted Cash and Investments

General Fund Reserves	\$ 175,215
Water Fund Reserves	184,728
Sewer Fund Reserves	22,591
Special Grant Fund	132,875
Total Government Activities Restricted Cash	\$ 515,409
Enterprise Fund Reserves	\$ 369,024
Component Unit:	
Housing Authority Reserve	\$ 132,194

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 3 Other Receivables and Interfund Balances

A. Other Receivables

Other receivables at May 31, 2015 consisted of the following, which are stated at net realizable value. Except where noted, the Village has deemed the amounts to be fully collectible.

	Description	Amount
General Fund	Accounts Receivable	\$ 5,315
Water Fund	Water Rents Receivable	57,664
Sewer Fund	Sewer Rents Receivable	45,994
Total Governmental Activities		\$ 108,973
Municipal Electric Fund	Accounts Receivable (net of allowance of \$8,765)	\$ 141,062
Component Units:		
Other Receivables	Accounts Receivable	\$ 923

B. Interfund Balances

Interfund balances at May 31, 2015 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expenditures
General Fund	\$	\$	\$	\$ 31,046
Capital Projects Fund			31,046	
Total	\$ -0-	\$ -0-	\$ 31,046	\$ 31,046

The Village transfers from various funds to finance capital projects. The Village typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables, if any, are expected to be repaid within one year.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 4 Capital Assets

A summary of changes in capital assets at May 31, 2015 follows:

	Balance at 05/31/14	Additions	Deletions/ Adjustments	Balance at 05/31/15
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets:				
Land	\$ 110,490	\$	\$	\$ 110,490
Construction in Progress	178,425	24,046	(5,998)	196,473
Total Non-Depreciable Capital Assets	288,915	24,046	(5,998)	306,963
Depreciable Capital Assets:				
Buildings	537,678			537,678
Machinery and equipment	1,161,988	61,281	(25,228)	1,198,041
Infrastructure	9,933,598	201,924	(22,326)	10,113,196
Total Depreciable Capital Assets	11,633,264	263,205	(47,554)	11,848,915
Total Historical Cost	11,922,179	287,251	(53,552)	12,155,878
Less Accumulated Depreciation:				
Buildings	375,845	20,273		396,118
Machinery and equipment	789,331	76,728	(25,228)	840,831
Infrastructure	4,035,131	316,092	(22,326)	4,328,897
Total Accumulated Depreciation	5,200,307	413,093	(47,554)	5,565,846
Governmental Activities Capital Assets, Net	\$ 6,721,872	\$ (125,842)	\$ (5,998)	\$ 6,590,032
<u>Business-type Activities</u>				
Non-depreciable Capital Assets:				
Land	\$ 12,271	\$	\$	\$ 12,271
Total Non-Depreciable Capital Assets	12,271	-0-	-0-	12,271
Depreciable Capital Assets:				
Buildings	198,161			198,161
Machinery and equipment	2,836,178	38,092	(6,919)	2,867,351
Total Depreciable Capital Assets	3,034,339	38,092	(6,919)	3,065,512
Total Historical Cost	3,046,610	38,092	(6,919)	3,077,783
Less Accumulated Depreciation:				
Buildings	97,375	4,116		101,491
Machinery and equipment	1,714,144	98,798	(2,840)	1,810,102
Total Accumulated Depreciation	1,811,519	102,914	(2,840)	1,911,593
Business-Type Activities Capital Assets, Net	\$ 1,235,091	\$ (64,822)	\$ (4,079)	\$ 1,166,190

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 4 Capital Assets - Continued

Depreciation expense was charged to functions as follows:

Governmental Activities:

General governmental support	\$	26,603
Public safety		28,400
Transportation		89,022
Culture and recreation		1,632
Home and community services		267,436

Total Governmental Activities Depreciation Expense \$ 413,093

Business-type Activities:

General governmental support	\$	83,605
Home and community services		19,309
Total Business-type Activities Depreciation Expense	\$	<u>102,914</u>

Fixed Assets - Component Units

A summary of the Village of Groton Housing Authority property, plant, and equipment at December 31, 2014 follows:

Land and improvements	\$	269,836
Building and improvements		1,595,392
Furniture, fixtures, and equipment		235,917
Less accumulated depreciation		<u>(1,516,163)</u>
Net Property, Plant, and Equipment	\$	<u>584,982</u>

Depreciation expense of \$77,586 was charged to operations on a straight-line basis for the year ended December 31, 2014.

The only fixed asset of the Industrial Development Agency (IDA) as of May 31, 2015 is land transferred from the Village of Groton in 1999. The asset was recorded at an initial value of \$50,000. A portion was sold, leaving a remaining value of \$12,500, which remains due from the IDA to the Village.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 5 Liabilities

A. Pension Plans

1. Plan Description

The Village of Groton participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

2. Funding Policy

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining NYSERS and NYSPFRS on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pension Accumulation Fund.

The Village of Groton is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2015	\$ 124,467	\$ 27,639
2014	157,316	30,430
2013	112,101	29,661

The Village of Groton's contributions made to the Systems were equal to 100% of the contributions required for each year.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 6 Short-term Debt

A. Bond Anticipation and Revenue Anticipation Notes

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. The notes or renewal thereof may not extend more than 2 years beyond the original date of issue unless a portion is redeemed within 2 years and within each 12 month period thereafter. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Village may issue Revenue Anticipation Notes (RANs) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The Village did not issue or redeem any RANs during the year.

The Village accounts for BANs and RANs as current obligations and records them in the fund to which they apply.

Changes in short-term debt outstanding are as follows:

	Payable at 05/31/14	Issued	Redeemed	Payable at 05/31/15
Bond Anticipation Notes	\$ 100,000	\$ 150,000	\$ (10,000)	\$ 240,000
Total	\$ 100,000	\$ 150,000	\$ (10,000)	\$ 240,000

Interest paid by the Village's governmental activities on short-term debt during the year was:

Interest paid	\$ 1,001
Less interest accrued in the prior year	-0-
Plus interest accrued in the current year	5,017
Total Interest Expense on Short-term Debt	\$ 6,018

Note 7 Long-term Debt

A. Constitutional Debt Limit

At May 31, 2015, the total outstanding indebtedness (bonds, bond anticipation notes, and loans) of the Village of Groton aggregated \$1,381,113. Of this amount, \$106,411 was subject to the Village's constitutional debt limit, and represented approximately 1.78% of its debt limit.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 7 Long-term Debt - Continued

B. Serial Bonds and Statutory Installment Bonds

The Village of Groton borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Position and, in the case of Municipal Electric Fund debt, in the business-type activities.

C. New York State EFC Loan

On July 23, 2009, the Village of Groton signed an agreement with New York State Environmental Facilities Corporation (EFC), under the New York State Water Pollution Control Revolving Fund Program. This agreement provides for a maximum loan amount of \$3,484,000 towards the Village's wastewater treatment plant project. Funds are held by EFC until requested by the Village. \$3,415,504 has been drawn down as of May 31, 2011; during the year ended May 31, 2012 a portion was paid through a grant, and the remainder was converted to long-term debt.

D. Other Long-term Obligations

In addition to the above long-term debt, the Village had the following noncurrent liabilities:

1. Compensated Absences

Represent the unfunded value of the liability for accumulated sick days. The Village allows employees to accrue sick days up to a maximum of 130 days. Upon retirement from the Village, the employee may take 50% of accrued sick days at the current rate of pay in cash, or may elect to apply 60% of accrued sick days at current pay rates to pay the employee portion of retirement health care expenses.

2. Other Postemployment Benefits

Represent the expected obligation for the postretirement health care benefits program. See Note 8 for further information.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 7 Long-term Debt – Continued

E. Changes in Long-term Indebtedness

The following represents changes in the Village's indebtedness and interest expenses/expenditures recognized during the year ended May 31, 2015.

	Balance	Additions	Deletions	Balance
	May 31, 2014			May 31, 2015
Serial Bonds	\$ 325,000	\$	\$ 30,000	\$ 295,000
Statutory Installment Bonds	100,000		22,000	78,000
NYS EFC Revolving Bond	760,000		20,000	740,000
Compensated Absences	43,316	2,385		45,701
Other Postemployment Benefits	393,189	91,022		484,211
Total Long-term Indebtedness - Governmental Activities	1,621,505	93,407	72,000	1,642,912
Serial Bonds - Proprietary Fund	57,500		57,500	-0-
NYPA Loan - Proprietary Fund	44,822		16,709	28,113
Compensated Absences - Proprietary Fund	51,393	1,946		53,339
Other Postemployment Benefits - Proprietary Fund	427,310	109,598		536,908
Total	\$ 2,202,530	\$ 204,951	\$ 146,209	\$ 2,261,272

Interest paid by the Village's governmental activities on long-term debt during the year was:

Interest paid	\$ 30,738
Less interest accrued in the prior year	(6,076)
Plus interest accrued in the current year	4,695
Total Interest Expense on Long-term Debt	\$ 29,357

Additions and deletions to compensated absences are shown net, as it is impractical to determine the amounts separately.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 7 Long-term Debt – Continued

F. Debt Maturity Schedule

The following is a summary of maturity of indebtedness:

Description of Issue	Original Date Issued	Original Amount	Interest Rate	Final Maturity Date	Outstanding Balance	Due Within One Year
Serial Bonds:						
Water Fund	03/01/1983	\$ 704,000	5.00%	03/01/2022	\$ 140,000	\$ 20,000
Water Fund	06/01/2007	239,713	Various	03/01/2027	155,000	10,000
Sewer Fund	11/01/2011	825,576	Various	05/01/2041	740,000	20,000
Total Serial Bonds					<u>1,035,000</u>	<u>50,000</u>
Statutory Installment Bonds:						
General Fund	03/20/2009	115,000	4.50%	04/01/2019	48,000	12,000
General Fund	09/24/2012	50,000	1.50%	07/01/2017	30,000	10,000
Total Statutory Installment Bonds					<u>78,000</u>	<u>22,000</u>
NYPA Loan:						
Proprietary Fund	05/31/2011	75,250	.88%	05/31/2016	28,113	16,839
Total NYPA Loans					<u>28,113</u>	<u>16,839</u>
Total Debt Outstanding					<u>\$ 1,141,113</u>	<u>\$ 88,839</u>

The following tables summarize the Village of Groton's future debt service requirements as of May 31, 2015:

Year	Bonds	
	Principal	Interest
2016	\$ 88,839	\$ 45,511
2017	88,274	43,049
2018	77,000	40,483
2019	67,000	37,842
2020	55,000	35,263
2021-2025	240,000	143,490
2026-2030	165,000	102,249
2031-2035	150,000	69,992
2036-2040	175,000	33,222
2041	<u>35,000</u>	<u>1,660</u>
Total	<u>\$ 1,141,113</u>	<u>\$ 552,761</u>

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 7 Long-term Debt - Continued

The interest column reflects 50% of the amount of interest the Village is required to pay on Environmental Project Bonds, which is subsidized by New York State in the amount of \$72,543 for 2014-2018.

The Village of Groton Housing Authority has the following long-term debt:

<u>Housing Authority</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Outstanding Balance</u>
Rural Development	12/31/1975	\$ 845,000	8.13%	12/31/2025	\$ 270,137
Rural Development	03/15/1978	433,400	8.00%	03/15/2028	160,972
Rural Development	04/29/1982	140,000	13.25%	05/29/2032	<u>65,548</u>
Total					<u>\$ 495,657</u>

The following table summarizes the Housing Authority's future debt service as of December 31, 2014:

<u>Year</u>	<u>Notes Payable</u>
2015	\$ 3,514
2016	3,648
2017	3,787
2018	3,932
2019	4,082
Thereafter	<u>476,694</u>
Total	<u>\$ 495,657</u>

The Housing Authority has three outstanding mortgages with Rural Development (RD).

Note 8 Other Postemployment Benefits

Postemployment Benefits Other than Pensions

The Village follows GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the Village reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of Village Postretirement Health Care Benefits Program (Plan) was performed as of June 1, 2012 for the fiscal year ending May 31, 2015.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 8 Other Postemployment Benefits - Continued

Plan Description - The Plan is a single-employer, defined benefit healthcare plan administered by the Village. The Plan provides medical and dental benefits to eligible retirees and their spouses. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The contribution requirements of Plan members and the Village are established and may be amended pursuant to applicable collective bargaining and employment agreements. The required contribution is based on projected pay-as-you-go financing requirements and varies depending on the applicable agreement.

The Village's annual other postemployment benefit (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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 25 years.

The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Village's net OPEB obligation to the Village's Plan:

	Governmental Activities	Business-type Activities
Normal cost	\$ 59,783	\$ 57,318
Amortization of unfunded actuarial accrued liability (UAAL)	57,168	65,341
Total Annual Required Contribution	116,951	122,659
Interest on net OPEB obligation	15,728	17,092
Adjustment to annual required contribution	(24,201)	(26,301)
Annual OPEB Cost (Expense)	108,478	113,450
Expected contributions on behalf of 2 employees	(17,456)	(3,852)
Increase in Net OPEB Obligation	91,022	109,598
 Net OPEB Obligation - June 1, 2014	 393,189	 427,310
 Net OPEB Obligation - May 31, 2015	 \$ 484,211	 \$ 536,908

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 8 Other Postemployment Benefits - Continued

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Fiscal Year Ended	Fund Type	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
05/31/15	Governmental Activities	\$ 108,478	16.1%	\$ 484,211
05/31/15	Business-type Activities	\$ 113,450	3.4%	\$ 536,908
05/31/14	Governmental Activities	\$ 102,498	14.8%	\$ 393,189
05/31/14	Business-type Activities	\$ 106,828	1.9%	\$ 427,310
05/31/13	Governmental Activities	\$ 96,732	12.8%	\$ 305,822
05/31/13	Business-type Activities	\$ 100,490	0.5%	\$ 322,509

Funded Status and Funding Progress - As of May 31, 2015, the Plan was not funded. The actuarial accrued liability for benefits was \$893,076 for the governmental activities and \$1,020,768 for the business-type activities; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$634,959 for the governmental activities and \$289,866 for the business-type activities; and the ratio of the UAAL to the covered payroll for the governmental and business-type activities was 140.7% and 352.2%, respectively.

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 healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 8 Other Postemployment Benefits - Continued

In the June 1, 2012 Actuarial Valuation Report, the most recent actuarial valuation date, the projected unit credit method was used. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. The actuarial assumptions included an annual discount rate of 4.00%. Additional actuarial assumptions included an annual medical cost trend rate ranging from 8.10% in 2014 to 4.30% for 2083 and thereafter, with an inflation rate of 2.90%.

As of January 1, 2011, the Village of Groton became a participating employer in the Greater Tompkins County Municipal Health Insurance Consortium, an agent multiple-employer defined benefit plan.

Note 9 Fund Balance Detail

At May 31, 2015, nonspendable, restricted and assigned fund balance in the governmental funds were as follows:

	General Fund	Special Grant Fund	Water Fund	Sewer Fund	Capital Projects Fund	Non-Major Fund
Restricted:						
Unemployment insurance reserve	\$ 3,602	\$	\$	\$	\$	\$
Repairs reserve	2,940					
Capital reserve	168,673		184,728	22,591		
Restricted for CDBG		132,875				
Total Restricted Fund Balance	\$ 175,215	\$ 132,875	\$ 184,728	\$ 22,591	\$ -0-	\$ -0-
Assigned:						
Appropriated for next year's budget	\$ 160,000	\$	\$ 40,000	\$ 45,000	\$	\$ 9,000
Remaining fund balance			120,227	46,271		23,823
Total Assigned Fund Balance	\$ 160,000	\$ -0-	\$ 160,227	\$ 91,271	\$ -0-	\$ 32,823

At May 31, 2015, the Proprietary Fund had a restricted fund balance of \$361,610, which is restricted for the capital reserve.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

Note 10 Insurance Pool, Non-Risk Retained

The Village of Groton is exposed to loss related to employee injuries. During the 1980s, the Village of Groton was unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. In June 1985, the Village of Groton joined with other governments (520 current members) to form the Public Risk Management Association, Inc. (PERMA), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation. The Village of Groton pays an annual premium to the pool for its workers' compensation insurance coverage. The agreement for the formation of PERMA provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments.

PERMA has published its own financial report for the year ended May 31, 2015, which can be obtained from the Public Employer Risk Management Association, Inc., P.O. Box 12250, Albany, New York 12212-2250.

During the year ended May 31, 2015, the Village incurred premiums of \$86,065.

Note 11 Judgements and Claims

The Village is named in certain lawsuits, some of which maybe for substantial amounts. These claims are either adequately covered by insurance or, in the opinion of Village officials, will not result in material judgments against the Village or will not be pursued and, therefore, are not expected to have a material effect on the financial statements.

Note 12 Stewardship, Compliance and Accountability

The Capital Projects Fund had a deficit of \$(197,452) at May 31, 2015. This deficit will be eliminated as short-term debt is converted to long-term debt.

Note 13 Impact of Future Standards of the Governmental Accounting Standards Board (GASB)

The Village is in the process of assessing the future effects of GASB Statement Number 68, "Accounting and Financial Reporting for Pensions" to be implemented in fiscal year 2015-2016.

VILLAGE OF GROTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MAY 31, 2015

***Note 13* Impact of Future Standards of the Governmental Accounting Standards Board (GASB) - Continued**

GASB Statement Number 68 establishes accounting and financial reporting requirements related to pension for governments whose employees are provided with pensions through certain pension plans. As a participant in a cost-sharing employer plan, the Village is required to recognize a liability for its proportionate share of the net pension (asset) liability (of all employers for benefits provided through the pension plan) - the collective net pension (asset) liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension (asset) liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Generally, pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

***Note 14* Subsequent Events**

The Village has evaluated subsequent events through March 18, 2016, the date which the financial statements were available to be issued. On June 12, 2015, the Village liquidated both bond anticipation notes for the water fund, paying \$15,000 on the principal, and issuing a statutory installment bond in the amount of \$225,000 to be paid off over a 15 year period.

VILLAGE OF GROTON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - NON-GAAP BASIS FOR THE YEAR ENDED MAY 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Real property taxes	\$ 705,700	\$ 705,700	\$ 706,354	\$ 654
Real property tax items	15,200	15,200	36,023	20,823
Nonproperty tax items	439,000	439,000	492,411	53,411
Departmental income	158,920	168,200	182,626	14,426
Intergovernmental charges	42,200	42,920	49,312	6,392
Use of money and property	13,400	13,400	13,537	137
Licenses and permits	7,010	7,010	9,200	2,190
Fines and forfeitures	500	500	275	(225)
Sale of property and compensation for loss	9,000	9,000	11,254	2,254
Miscellaneous local sources	1,200	1,200	4,640	3,440
State sources	98,933	98,933	105,675	6,742
Federal sources	1,000	1,000	1,022	22
Total Revenues	<u>1,492,063</u>	<u>1,502,063</u>	<u>1,612,329</u>	<u>110,266</u>
EXPENDITURES				
General governmental support	241,788	218,475	193,021	25,454
Public safety	336,700	341,805	296,404	45,401
Public health	165,000	186,000	182,377	3,623
Transportation	356,775	362,673	342,531	20,142
Economic assistance and opportunity	6,500	6,810	6,810	-0-
Culture and recreation	128,020	128,520	110,550	17,970
Home and community services	23,580	24,080	21,457	2,623
Employee benefits	318,900	318,900	234,962	83,938
Debt service (principal and interest)	25,300	25,300	25,300	-0-
Total Expenditures	<u>1,602,563</u>	<u>1,612,563</u>	<u>1,413,412</u>	<u>199,151</u>
Excess of (Expenditures) Revenues	<u>(110,500)</u>	<u>(110,500)</u>	<u>198,917</u>	<u>309,417</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers (out)	(34,500)	(31,046)	(31,046)	-0-
Total Other Financing (Uses) Sources	<u>(34,500)</u>	<u>(31,046)</u>	<u>(31,046)</u>	<u>-0-</u>
Excess of (Expenditures) and Other (Uses) over Revenues and Other Financing Sources	<u>(145,000)</u>	<u>(141,546)</u>	<u>167,871</u>	<u>\$ 309,417</u>
Appropriated Fund Balance	<u>145,000</u>	<u>141,546</u>		
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>167,871</u>	
Fund Balance, Beginning of Year			<u>425,350</u>	
Fund Balance, End of Year			<u>\$ 593,221</u>	

See Independent Auditor's Report and Notes to Required Supplementary Information.

VILLAGE OF GROTON

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUNDS - NON-GAAP BASIS FOR THE YEAR ENDED MAY 31, 2015

	Sewer Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Departmental income	\$ 252,300	\$ 252,300	\$ 247,234	\$ (5,066)
Use of money and property	175	175	132	(43)
Miscellaneous			210	210
Total Revenues	252,475	252,475	247,576	(4,899)
EXPENDITURES				
General governmental support	16,915	6,515	6,500	15
Home and community services	189,200	199,600	191,602	7,998
Employee benefits	41,200	41,200	38,633	2,567
Debt service (principal and interest)	34,660	34,660	34,659	1
Total Expenditures	281,975	281,975	271,394	10,581
Excess of (Expenditures)	(29,500)	(29,500)	(23,818)	\$ 5,682
Appropriated Fund Balance	37,000	29,500		
Other Budgetary Purposes	(7,500)			
Net (Decrease)	\$ -0-	\$ -0-	(23,818)	
Fund Balance, Beginning of Year			137,680	
Fund Balance, End of Year			\$ 113,862	

See Independent Auditor's Report and Notes to Required Supplementary Information.

VILLAGE OF GROTON
GROTON, NEW YORK

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS - NON-GAAP BASIS
FOR THE YEAR ENDED MAY 31, 2015

	Water Fund			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Departmental income	\$ 269,700	\$ 269,700	\$ 249,667	\$ (20,033)
Intergovernmental charges				-0-
Use of money and property	300	300	409	109
Licenses and permits				-0-
Sale of property and compensation for loss				-0-
Miscellaneous local sources				-0-
Interfund revenues				-0-
Total Revenues	<u>270,000</u>	<u>270,000</u>	<u>250,076</u>	<u>(19,924)</u>
EXPENDITURES				
General governmental support	34,520	27,720	21,010	6,710
Home and community services	150,400	157,200	130,798	26,402
Employee benefits	40,300	40,300	36,759	3,541
Debt service (principal and interest)	64,780	64,780	53,736	11,044
Total Expenditures	<u>290,000</u>	<u>290,000</u>	<u>242,303</u>	<u>47,697</u>
Excess of Revenues	<u>(20,000)</u>	<u>(20,000)</u>	7,773	<u>\$ 27,773</u>
Appropriated Fund Balance	<u>45,000</u>	<u>20,000</u>		
Other Budgetary Purposes	<u>(25,000)</u>			
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>	7,773	
Fund Balance, Beginning of Year			<u>337,182</u>	
Fund Balance, End of Year			<u>\$ 344,955</u>	

See Independent Auditor's Report and Notes to Required Supplementary Information.

VILLAGE OF GROTON

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED MAY 31, 2015

Year Ended	Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2015	06/01/12	Governmental Activities	\$ -0-	\$ 893,076	\$ 893,076	0.0%	\$ 634,959	140.7%
2015	06/01/12	Business-type Activities	\$ -0-	\$ 1,020,768	\$ 1,020,768	0.0%	\$ 289,866	352.2%
2014	06/01/12	Governmental Activities	\$ -0-	\$ 818,003	\$ 818,003	0.0%	\$ 660,569	123.8%
2014	06/01/12	Business-type Activities	\$ -0-	\$ 930,463	\$ 930,463	0.0%	\$ 282,231	329.7%
2013	06/01/12	Governmental Activities	\$ -0-	\$ 745,288	\$ 745,288	0.0%	\$ 709,297	105.1%
2013	06/01/12	Business-type Activities	\$ -0-	\$ 844,251	\$ 844,251	0.0%	\$ 294,304	286.9%
2012	06/01/09	Governmental Activities	\$ -0-	\$ 831,457	\$ 831,457	0.0%	\$ 680,537	122.2%
2012	06/01/09	Business-type Activities	\$ -0-	\$ 646,002	\$ 646,002	0.0%	\$ 265,453	243.4%
2011	06/01/09	Governmental Activities	\$ -0-	\$ 770,887	\$ 770,887	0.0%	\$ 642,214	120.0%
2011	06/01/09	Business-type Activities	\$ -0-	\$ 581,632	\$ 581,632	0.0%	\$ 277,730	209.4%
2010	06/01/09	Governmental Activities	\$ -0-	\$ 712,188	\$ 712,188	0.0%	\$ 642,092	110.9%
2010	06/01/09	Business-type Activities	\$ -0-	\$ 521,022	\$ 521,022	0.0%	\$ 284,102	183.4%

See Independent Auditor's Report and Notes to Required Supplementary Information.

VILLAGE OF GROTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED MAY 31, 2015

***Note 1* Budget Basis of Accounting**

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

***Note 2* Budget Policies**

Budget policies are as follows:

1. Annual operating budgets are maintained for the following Governmental Fund types:
General Fund
Special Revenue Funds (Water and Sewer Funds)
2. No later than March 31, the budget officer submits the tentative Village budget to the Board of Trustees for the fiscal year commencing the following June. Upon filing the tentative Village budget, a notice is published in the official newspaper of the Village.
3. After the public hearing on the recommended budgets, the Mayor and Board of Trustees adopt the final Village budget no later than April 30.
4. Annual budgets adopted represent the legal limit on expenditures for that period. At the end of each year unexpended, unencumbered appropriations lapse. Encumbered appropriations do not lapse and are carried forward.
5. Expenditures may not legally exceed appropriations at the fund level.
6. All modifications of the budget must be approved by the governing board.
7. The Board of Trustees may increase the appropriations budget during the fiscal year where additional revenues or expenditures not involved in the original adopted budget are identified.

***Note 3* Reconciliation of the Budget Basis to GAAP**

No adjustment is necessary to convert the excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances recorded at May 31, 2015.

***Note 4* Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Village of Groton has chosen to do triennial valuations.

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

Mayor and Village Trustees
Village of Groton
Groton, New York

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, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Village of Groton (the Village), as of and for the year ended May 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 18, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 18, 2016