

TOWN OF GEORGETOWN, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2021

TOWN OF GEORGETOWN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Georgetown, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Georgetown, Massachusetts, as of and for the year ended June 30, 2021 (except for the Georgetown Electric Light Department which is as of and for the year ended December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town of Georgetown, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Georgetown Electric Light Department, which represent 52.0%, 58.7%, and 73.9%, respectively, of the assets, net position, and operating revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Georgetown Electric Light Department, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Georgetown, Massachusetts, as of June 30, 2021 (except for the Georgetown Electric Light Department which is as of and for the year ended December 31, 2020), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022, on our consideration of the Town of Georgetown, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Georgetown, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan LLC

May 17, 2022

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Georgetown (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Georgetown's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The Town’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$6.6 million at the close of 2021.

| | 2021 | 2020 (As Revised) |
|--|---------------------|----------------------|
| Assets: | | |
| Current assets..... | \$ 14,247,026 | \$ 12,814,366 |
| Noncurrent assets (excluding capital)..... | 113,962 | 4,155 |
| Capital assets, nondepreciable..... | 5,252,211 | 5,169,733 |
| Capital assets, net of accumulated depreciation..... | 70,803,803 | 73,196,715 |
| Total assets..... | 90,417,002 | 91,184,969 |
| Deferred outflows of resources..... | 19,535,658 | 9,054,984 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 3,570,877 | 2,824,403 |
| Noncurrent liabilities (excluding debt)..... | 71,297,710 | 54,861,610 |
| Current debt..... | 1,875,035 | 1,907,662 |
| Noncurrent debt..... | 23,138,457 | 25,013,492 |
| Total liabilities..... | 99,882,079 | 84,607,167 |
| Deferred inflows of resources..... | 3,440,137 | 3,712,129 |
| Net position: | | |
| Net investment in capital assets..... | 51,042,522 | 51,453,124 |
| Restricted..... | 4,093,777 | 3,752,088 |
| Unrestricted..... | (48,505,855) | (43,284,555) |
| Total net position..... | \$ 6,630,444 | \$ 11,920,657 |

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|-----------------------------|
| Program Revenues: | | |
| Charges for services..... \$ | 840,853 | \$ 994,862 |
| Operating grants and contributions..... | 13,723,756 | 12,538,891 |
| Capital grants and contributions..... | 792,620 | 644,380 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 22,197,862 | 21,664,521 |
| Tax and other liens..... | 51,004 | 55,585 |
| Motor vehicle excise taxes..... | 1,625,355 | 1,602,656 |
| Meals tax..... | 78,852 | 79,733 |
| Cannabis excise tax..... | 261,823 | - |
| Cannabis impact fee..... | 586,945 | 96,048 |
| Community preservation tax..... | 513,324 | 503,323 |
| Penalties and interest on taxes..... | 51,661 | 79,103 |
| Payments in lieu of taxes..... | 99,252 | 49,194 |
| Grants and contributions not restricted to specific programs..... | 964,162 | 935,012 |
| Unrestricted investment income..... | 21,636 | 78,414 |
| Miscellaneous..... | 542,203 | 730,285 |
| Total revenues..... | <u>42,351,308</u> | <u>40,052,007</u> |
| Expenses: | | |
| General government..... | 3,461,333 | 2,626,010 |
| Public safety..... | 4,690,418 | 4,511,074 |
| Education..... | 35,129,065 | 32,204,181 |
| Public works..... | 1,828,382 | 1,774,091 |
| Human services..... | 674,463 | 573,850 |
| Culture and recreation..... | 965,159 | 961,584 |
| Community preservation..... | 31,677 | 87,804 |
| Interest..... | 861,024 | 780,282 |
| Total expenses..... | <u>47,641,521</u> | <u>43,518,876</u> |
| Change in net position..... | (5,290,213) | (3,466,869) |
| Net position, beginning of year, as revised..... | <u>11,920,657</u> | <u>15,387,526</u> |
| Net position, end of year..... \$ | <u>6,630,444</u> | <u>\$ 11,920,657</u> |

Beginning net position of the governmental activities was revised to reflect the implementation of GASB Statement No. 84, Fiduciary Activities. The previously reported net position of \$11,873,253 was revised to \$11,920,657. See Note 16 for further information.

Noncurrent liabilities increased by \$16.4 million which was due to a \$16.6 million increase in the net OPEB liability offset by a \$146,000 decrease in the net pension liability.

The Town is required to report its proportionate share of the net pension liability and related deferred inflows/outflows of resources of the Essex Regional Retirement System (ERRS). Accordingly, the Town recorded a governmental net pension liability totaling \$17.0 million as of year-end.

Governmental net position of \$51.0 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$4.1 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$48.5 million. This deficit is the result of the Town obligation to record its net pension liability of \$17.0 million along with the net other postemployment benefits (OPEB) liability of \$54.1 million, respectively. These are long-term unfunded liabilities that will not require significant short-term resources.

The Town's governmental activities net position decreased \$5.3 million in 2021. The key contributors were an increase of \$5.5 million in the net OPEB liability, net of deferred outflows and inflows of resources and a \$251,000 increase in pension liability, net of deferred outflows and inflows of resources.

Charges for services came in lower than the previous year partly due to the COVID-19 shutdowns that took place statewide last fiscal year. Programs affected included extended day and other fee-based programs.

Operating grant revenue came in higher from the previous year due to increased state financing for the Massachusetts Teachers' Retirement System, which increased revenue and the corresponding expense by \$608,000 over the prior year. Additionally, the Town received federal grant funding for COVID-19 related expenditures through various grants.

The Town implemented a cannabis excise tax in fiscal year 2021 and a cannabis impact fee in fiscal year 2020 of which the Town collected \$262,000 and \$587,000, respectively.

Education saw the largest increase in expenses. This was due to the increased state financing for the Massachusetts Teachers' Retirement System totaling \$608,000 along with education's portion of the increase in the net OPEB liability net deferred outflows/(inflows) related to OPEB totaling \$2.3 million.

General government saw the second largest increase in expenses. This was directly related to an increase in COVID-19 related expenses.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs which were directly related to the COVID-19 pandemic. The Town was awarded a portion of the funding to help prevent, prepare for, and respond to the impacts of the pandemic. Further, funds were allocated under Federal Emergency Management Agency (FEMA) for specific pandemic related costs. The American Rescue Plan (ARP) Act of 2021, Public Law 117-2, was enacted on March 11, 2021. The ARP Act provides additional funding for communities to respond to the COVID-19 pandemic. See Note 17 for further information.

Business-type Activities

For the Town’s business-type activities, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$16.6 million at the close of 2021.

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| Assets: | | |
| Current assets..... | \$ 9,583,635 | \$ 7,999,013 |
| Noncurrent assets (excluding capital)..... | 794,033 | 145,486 |
| Capital assets, nondepreciable..... | 501,097 | 501,097 |
| Capital assets, net of accumulated depreciation..... | <u>14,632,422</u> | <u>14,916,216</u> |
| Total assets..... | <u>25,511,187</u> | <u>23,561,812</u> |
| Deferred outflows of resources..... | <u>1,066,430</u> | <u>909,928</u> |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 1,202,185 | 1,038,968 |
| Noncurrent liabilities (excluding debt)..... | 4,987,398 | 4,816,459 |
| Current debt..... | 197,008 | 348,329 |
| Noncurrent debt..... | <u>2,858,586</u> | <u>3,055,594</u> |
| Total liabilities..... | <u>9,245,177</u> | <u>9,259,350</u> |
| Deferred inflows of resources..... | <u>773,364</u> | <u>362,398</u> |
| Net position: | | |
| Net investment in capital assets..... | 12,660,849 | 12,890,565 |
| Unrestricted..... | <u>3,898,227</u> | <u>1,959,427</u> |
| Total net position..... | <u>\$ 16,559,076</u> | <u>\$ 14,849,992</u> |
| | | |
| | <u>2021</u> | <u>2020</u> |
| Program Revenues: | | |
| Charges for services..... | \$ 11,967,316 | \$ 10,899,592 |
| Operating grants and contributions..... | - | 11,204 |
| General Revenues: | | |
| Unrestricted investment income (loss)..... | <u>255,711</u> | <u>309,672</u> |
| Total revenues..... | <u>12,223,027</u> | <u>11,220,468</u> |
| Expenses: | | |
| Water..... | 1,730,066 | 1,831,581 |
| Ambulance..... | 385,079 | 461,896 |
| Electric Light..... | <u>8,398,798</u> | <u>7,979,799</u> |
| Total expenses..... | <u>10,513,943</u> | <u>10,273,276</u> |
| Change in net position..... | 1,709,084 | 947,192 |
| Net position, beginning of year..... | <u>14,849,992</u> | <u>13,902,800</u> |
| Net position, end of year..... | <u>\$ 16,559,076</u> | <u>\$ 14,849,992</u> |

Business-type net position of \$12.7 million (76%) represents net investment in capital assets. The remaining \$3.9 million (24%) is available to be used for the ongoing operation of the Town’s water, ambulance and electric light departments.

Net position of the business-type activities increased by \$1.7 million. This consisted of a \$972,000 increase in the water enterprise, a \$36,000 increase in the ambulance enterprise, and a \$701,000 increase in net position of Electric Light Department.

Water charges for services were up by \$625,000 due to an increase in usage while expenses were slightly down due to the decrease in the net pension liability when compared to the prior year.

The Town's ambulance enterprise fund expended \$385,000 and collected \$421,000 during fiscal year 2021. Revenues were slightly higher than the prior year while expenses decreased \$77,000. The decrease was mainly due to the decrease in the net pension liability.

The Electric Light Department has transferred funds to the Other Postemployment Benefits (OPEB) Trust Fund to prefund its OPEB liability. This contribution totaled approximately \$52,000 for 2020. The Electric Light Department's financial position is reported as of December 31, 2020.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$10.1 million, an increase of \$693,000 from the prior year. This consists of an increase in the general fund of \$345,000, an increase in the Community Preservation fund of \$474,000, and a decrease in the nonmajor governmental funds of \$126,000.

Beginning fund balance of the nonmajor governmental funds has been revised to reflect the implementation of GASB Statement No. 84, Fiduciary Activities. Accordingly, previously reported fund balance of \$2,772,860 has been revised and totals \$2,820,264. See Note 16 for further information.

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund totaled almost \$3.9 million and the total fund balance equaled \$3.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 10.4% of general fund expenditures while total fund balance represents approximately 10.5% of that same amount. The Town's assigned fund balance consists of \$22,000 in encumbrances. The unassigned balance of the general fund includes \$1.9 million in stabilization funds, an increase of \$443,000 from the prior year. Overall the general fund increased by \$345,000 from the prior year.

The Town has adopted the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing. As of June 30, 2021, the Town has a balance of \$3.6 million in unspent CPA funds which are classified as a major governmental fund. During 2021, the Town's CPA fund reported revenue of \$963,000, including \$513,000 in surcharges and \$439,000 in state matching funds.

Expenditures in 2021 totaled \$227,000. Additionally, \$262,000 was transferred from the CPA fund to the general fund for debt service and the Town's affordable housing trust fund. In total, the fund reported a \$474,000 increase from the prior year.

There was a \$126,000 decrease in the nonmajor governmental funds, which reported \$3.9 million in revenues, \$4.2 million in expenditures and \$215,000 in net transfers from (to) other funds.

The Town maintains general, capital, and compensated absence stabilization funds which are classified within the general fund. These stabilization funds had a cumulative year-end balance of \$1.9 million. These funds can be used for general or capital purposes upon Town Meeting approval. Please refer to Note 8 for additional information on the Town's stabilization funds.

General Fund Budgetary Highlights

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

The Town's original budget totaled \$32.5 million and included \$65,000 in amounts carried over from 2020. During 2021, the budget was increased by \$628,000 all of which was funded by free cash appropriations. The \$628,000 increase between the original budget and the final amended budget was due to additional appropriations from free cash for the stabilization funds, capital project funds and snow and ice. Actual revenues came in higher than budgeted by \$235,000. The contributing revenues were the cannabis impact fee and cannabis excise taxes. Total expenditures plus encumbrances were under budget by \$337,000. On a budgetary basis, the Town's fund balance decreased by \$281,000.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town's Capital Improvement Committee (CIP Committee) has requested a 5-year Capital Improvement Plan from each department. The CIP Committee submits annual recommendations to the Finance Committee for capital items that are put on the Town Warrant for the Annual Town Meeting.

During 2021 the Town expended \$1.2 million on governmental activities capital assets consisting mainly of buildings and improvements, vehicles and infrastructure. The Town's primary capital asset additions consisted of \$404,000 for road repairs classified as infrastructure, \$134,000 for energy saving projects, \$92,000 for the rail trail, \$212,000 in vehicles, and \$191,000 for other improvements and equipment.

The business type activities had capital assets additions of \$619,000 mostly related to the water fund infrastructure and light department equipment, structures and improvements and infrastructure costs.

Outstanding long-term debt of the general government, as of June 30, 2021, totaled \$25.0 million, of which \$21.2 million is related to school projects; \$480,000 is related to the library addition; \$1.1 million is related to the ESCO projects, \$1.2 million is for the Elm Street project, leaving a balance of \$1.0 million for premiums and other capital projects.

The Water enterprise fund has \$3.1 million of debt outstanding, including unamortized premiums, all of which is fully supported by the rates and is not reliant on a general fund subsidy.

Please refer to notes 4, 6, and 7 in the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Georgetown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant at Memorial Town Hall, One Library Street, Georgetown, MA 01833-2086.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2021

| | <i>Primary Government</i> | | |
|---|----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 12,725,185 | \$ 2,890,970 | \$ 15,616,155 |
| Restricted cash and cash equivalents..... | - | 590,997 | 590,997 |
| Investments..... | - | 2,403,595 | 2,403,595 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 411,269 | - | 411,269 |
| Tax liens..... | 361,108 | - | 361,108 |
| Community preservation fund surtax..... | 8,799 | - | 8,799 |
| Motor vehicle excise taxes..... | 111,222 | - | 111,222 |
| User charges..... | - | 2,271,386 | 2,271,386 |
| Intergovernmental - other..... | 33,932 | - | 33,932 |
| Community preservation state share..... | 385,407 | - | 385,407 |
| Loans..... | 14,777 | - | 14,777 |
| Tax foreclosures..... | 195,327 | - | 195,327 |
| Inventory..... | - | 29,771 | 29,771 |
| Purchased power advanced deposits..... | - | 1,396,916 | 1,396,916 |
| Total current assets..... | <u>14,247,026</u> | <u>9,583,635</u> | <u>23,830,661</u> |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Loans..... | 113,962 | - | 113,962 |
| Other postemployment benefits asset..... | - | 794,033 | 794,033 |
| Capital assets, nondepreciable..... | 5,252,211 | 501,097 | 5,753,308 |
| Capital assets, net of accumulated depreciation..... | <u>70,803,803</u> | <u>14,632,422</u> | <u>85,436,225</u> |
| Total noncurrent assets..... | <u>76,169,976</u> | <u>15,927,552</u> | <u>92,097,528</u> |
| TOTAL ASSETS..... | <u>90,417,002</u> | <u>25,511,187</u> | <u>115,928,189</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions..... | 1,852,991 | 383,574 | 2,236,565 |
| Deferred outflows related to other postemployment benefits..... | <u>17,682,667</u> | <u>682,856</u> | <u>18,365,523</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>19,535,658</u> | <u>1,066,430</u> | <u>20,602,088</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 766,431 | 648,215 | 1,414,646 |
| Accrued payroll..... | 1,453,643 | - | 1,453,643 |
| Accrued interest..... | 204,665 | 46,207 | 250,872 |
| Liabilities due depositors..... | - | 148,950 | 148,950 |
| Other liabilities..... | 591,640 | - | 591,640 |
| Unearned revenue..... | 451,998 | - | 451,998 |
| Compensated absences..... | 102,500 | 358,813 | 461,313 |
| Bonds payable..... | <u>1,875,035</u> | <u>197,008</u> | <u>2,072,043</u> |
| Total current liabilities..... | <u>5,445,912</u> | <u>1,399,193</u> | <u>6,845,105</u> |
| NONCURRENT: | | | |
| Compensated absences..... | 217,300 | 135,903 | 353,203 |
| Net pension liability..... | 16,986,023 | 3,516,149 | 20,502,172 |
| Net other postemployment benefits liability..... | 54,094,387 | 1,335,346 | 55,429,733 |
| Bonds payable..... | <u>23,138,457</u> | <u>2,858,586</u> | <u>25,997,043</u> |
| Total noncurrent liabilities..... | <u>94,436,167</u> | <u>7,845,984</u> | <u>102,282,151</u> |
| TOTAL LIABILITIES..... | <u>99,882,079</u> | <u>9,245,177</u> | <u>109,127,256</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions..... | 1,602,100 | 331,639 | 1,933,739 |
| Deferred inflows related to other postemployment benefits..... | <u>1,838,037</u> | <u>441,725</u> | <u>2,279,762</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>3,440,137</u> | <u>773,364</u> | <u>4,213,501</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 51,042,522 | 12,660,849 | 63,703,371 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Expendable..... | 362,610 | - | 362,610 |
| Nonexpendable..... | 5,000 | - | 5,000 |
| Gifts and grants..... | 144,654 | - | 144,654 |
| Community preservation..... | 3,581,513 | - | 3,581,513 |
| Unrestricted..... | <u>(48,505,855)</u> | <u>3,898,227</u> | <u>(44,607,628)</u> |
| TOTAL NET POSITION..... | <u>\$ 6,630,444</u> | <u>\$ 16,559,076</u> | <u>\$ 23,189,520</u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

| <u>Functions/Programs</u> | Program Revenues | | | | <u>Net (Expense) Revenue</u> |
|--|----------------------|---------------------------------|---|---|----------------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 3,461,333 | \$ 180,212 | \$ 835,712 | \$ 43,707 | \$ (2,401,702) |
| Public safety..... | 4,690,418 | 320,102 | 180,433 | - | (4,189,883) |
| Education..... | 35,129,065 | 127,451 | 12,609,147 | - | (22,392,467) |
| Public works..... | 1,828,382 | 53,680 | 263 | 305,440 | (1,468,999) |
| Human services..... | 674,463 | 134,080 | 44,733 | - | (495,650) |
| Culture and recreation..... | 965,159 | 25,328 | 53,468 | - | (886,363) |
| Community preservation..... | 31,677 | - | - | 443,473 | 411,796 |
| Interest..... | 861,024 | - | - | - | (861,024) |
| Total Governmental Activities..... | 47,641,521 | 840,853 | 13,723,756 | 792,620 | (32,284,292) |
| <i>Business-Type Activities:</i> | | | | | |
| Water..... | 1,730,066 | 2,699,936 | - | - | 969,870 |
| Ambulance..... | 385,079 | 420,816 | - | - | 35,737 |
| Electric Light..... | 8,398,798 | 8,846,564 | - | - | 447,766 |
| Total Business-Type Activities..... | 10,513,943 | 11,967,316 | - | - | 1,453,373 |
| Total Primary Government..... | \$ 58,155,464 | \$ 12,808,169 | \$ 13,723,756 | \$ 792,620 | \$ (30,830,919) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... | \$ (32,284,292) | \$ 1,453,373 | \$ (30,830,919) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 22,197,862 | - | 22,197,862 |
| Tax and other liens..... | 51,004 | - | 51,004 |
| Motor vehicle excise taxes..... | 1,625,355 | - | 1,625,355 |
| Meals tax..... | 78,852 | - | 78,852 |
| Cannabis excise tax..... | 261,823 | - | 261,823 |
| Cannabis impact fee..... | 586,945 | - | 586,945 |
| Community preservation tax..... | 513,324 | - | 513,324 |
| Penalties and interest on taxes..... | 51,661 | - | 51,661 |
| Payments in lieu of taxes..... | 99,252 | - | 99,252 |
| Grants and contributions not restricted to specific programs..... | 964,162 | - | 964,162 |
| Unrestricted investment income..... | 21,636 | 255,711 | 277,347 |
| Miscellaneous..... | 542,203 | - | 542,203 |
| Total general revenues..... | <u>26,994,079</u> | <u>255,711</u> | <u>27,249,790</u> |
| Change in net position..... | (5,290,213) | 1,709,084 | (3,581,129) |
| <i>Net position:</i> | | | |
| Beginning of year, as revised..... | <u>11,920,657</u> | <u>14,849,992</u> | <u>26,770,649</u> |
| End of year..... | <u>\$ 6,630,444</u> | <u>\$ 16,559,076</u> | <u>\$ 23,189,520</u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

| | General | Community Preservation Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 5,866,947 | \$ 3,195,543 | \$ 3,662,695 | \$ 12,725,185 |
| Receivables, net of uncollectibles: | | | | |
| Real estate and personal property taxes..... | 411,269 | - | - | 411,269 |
| Tax liens..... | 357,676 | 3,432 | - | 361,108 |
| Community preservation fund surtax..... | - | 8,799 | - | 8,799 |
| Motor vehicle excise taxes..... | 111,222 | - | - | 111,222 |
| Intergovernmental..... | 28,187 | - | 5,745 | 33,932 |
| Community preservation state share..... | - | 385,407 | - | 385,407 |
| Loans..... | - | - | 128,739 | 128,739 |
| Tax foreclosures..... | 195,327 | - | - | 195,327 |
| TOTAL ASSETS..... | \$ 6,970,628 | \$ 3,593,181 | \$ 3,797,179 | \$ 14,360,988 |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 637,582 | \$ 11,668 | \$ 117,181 | \$ 766,431 |
| Accrued payroll..... | 1,453,643 | - | - | 1,453,643 |
| Other liabilities..... | 192,557 | - | 399,083 | 591,640 |
| Unearned revenue..... | - | - | 451,998 | 451,998 |
| TOTAL LIABILITIES..... | 2,283,782 | 11,668 | 968,262 | 3,263,712 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue..... | 802,050 | 12,231 | 134,484 | 948,765 |
| FUND BALANCES | | | | |
| Nonspendable..... | - | - | 5,000 | 5,000 |
| Restricted..... | - | 3,569,282 | 2,689,433 | 6,258,715 |
| Assigned..... | 21,730 | - | - | 21,730 |
| Unassigned..... | 3,863,066 | - | - | 3,863,066 |
| TOTAL FUND BALANCES..... | 3,884,796 | 3,569,282 | 2,694,433 | 10,148,511 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 6,970,628 | \$ 3,593,181 | \$ 3,797,179 | \$ 14,360,988 |

See notes to basic financial statements.

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

JUNE 30, 2021

| | | |
|--|------------------|---------------------|
| Total governmental fund balances..... | | \$ 10,148,511 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 76,056,014 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 948,765 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | | 16,095,521 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (204,665) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (25,013,492) | |
| Net pension liability..... | (16,986,023) | |
| Net other postemployment benefits liability..... | (54,094,387) | |
| Compensated absences..... | <u>(319,800)</u> | |
| Net effect of reporting long-term liabilities..... | | <u>(96,413,702)</u> |
| Net position of governmental activities..... | | <u>\$ 6,630,444</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

| | General | Community Preservation Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 22,247,247 | \$ - | \$ - | \$ 22,247,247 |
| Tax liens..... | 12,698 | - | - | 12,698 |
| Motor vehicle excise taxes..... | 1,592,248 | - | - | 1,592,248 |
| Meals tax..... | 78,852 | - | - | 78,852 |
| Cannabis excise tax..... | 261,823 | - | - | 261,823 |
| Cannabis impact fee..... | 586,945 | - | - | 586,945 |
| Penalties and interest on taxes..... | 50,609 | 844 | 208 | 51,661 |
| Payments in lieu of taxes..... | 99,252 | - | - | 99,252 |
| Intergovernmental - state aid..... | 6,491,930 | - | - | 6,491,930 |
| Intergovernmental - Teachers Retirement..... | 5,006,938 | - | - | 5,006,938 |
| Intergovernmental - other..... | - | - | 3,226,974 | 3,226,974 |
| Departmental and other..... | 981,224 | - | 664,090 | 1,645,314 |
| Community preservation taxes..... | - | 513,324 | - | 513,324 |
| Community preservation state match..... | - | 439,350 | - | 439,350 |
| Special assessments..... | - | - | 2,077 | 2,077 |
| Contributions and donations..... | - | - | 570 | 570 |
| Investment income..... | 11,238 | 9,675 | 723 | 21,636 |
| TOTAL REVENUES..... | 37,421,004 | 963,193 | 3,894,642 | 42,278,839 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 1,853,984 | - | 969,646 | 2,823,630 |
| Public safety..... | 2,602,387 | - | 439,024 | 3,041,411 |
| Education..... | 16,910,293 | - | 2,208,874 | 19,119,167 |
| Public works..... | 1,090,133 | - | 313,660 | 1,403,793 |
| Human services..... | 366,794 | - | 161,973 | 528,767 |
| Culture and recreation..... | 495,399 | - | 142,436 | 637,835 |
| Community preservation..... | - | 227,463 | - | 227,463 |
| Pension benefits..... | 1,893,635 | - | - | 1,893,635 |
| Pension benefits - Teachers Retirement..... | 5,006,938 | - | - | 5,006,938 |
| Property and liability insurance..... | 253,138 | - | - | 253,138 |
| Employee benefits..... | 3,448,144 | - | - | 3,448,144 |
| State and county charges..... | 414,559 | - | - | 414,559 |
| Debt service: | | | | |
| Principal..... | 1,821,081 | - | - | 1,821,081 |
| Interest..... | 965,793 | - | - | 965,793 |
| TOTAL EXPENDITURES..... | 37,122,278 | 227,463 | 4,235,613 | 41,585,354 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 298,726 | 735,730 | (340,971) | 693,485 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in..... | 196,660 | - | 236,200 | 432,860 |
| Transfers out..... | (150,200) | (261,600) | (21,060) | (432,860) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 46,460 | (261,600) | 215,140 | - |
| NET CHANGE IN FUND BALANCES..... | 345,186 | 474,130 | (125,831) | 693,485 |
| FUND BALANCES AT BEGINNING OF YEAR, AS REVISED... | 3,539,610 | 3,095,152 | 2,820,264 | 9,455,026 |
| FUND BALANCES AT END OF YEAR..... | \$ 3,884,796 | \$ 3,569,282 | \$ 2,694,433 | \$ 10,148,511 |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

| | | |
|--|----|---------------------|
| Net change in fund balances - total governmental funds..... | \$ | 693,485 |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital outlay..... | | 1,248,512 |
| Depreciation expense..... | | <u>(3,558,946)</u> |
| Net effect of reporting capital assets..... | | (2,310,434) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p> | | |
| | | 72,469 |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> | | |
| Principal payments on capital leases..... | | 13,251 |
| Net amortization of premium from issuance of bonds..... | | 86,581 |
| Debt service principal payments..... | | <u>1,821,081</u> |
| Net effect of reporting long-term debt..... | | 1,920,913 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p> | | |
| Net change in compensated absences accrual..... | | 37,700 |
| Net change in accrued interest on long-term debt..... | | 18,188 |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | | (396,998) |
| Net change in net pension liability..... | | 146,388 |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..... | | 11,149,664 |
| Net change in net other postemployment benefits liability..... | | <u>(16,621,588)</u> |
| Net effect of recording long-term liabilities..... | | <u>(5,666,646)</u> |
| Change in net position of governmental activities..... | \$ | <u>(5,290,213)</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-------------------|--|----------------------|
| | Water | Ambulance | Electric Light December 31, 2020 | Total |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 2,270,026 | \$ 357,016 | \$ 263,928 | \$ 2,890,970 |
| Restricted cash and cash equivalents..... | - | - | 590,997 | 590,997 |
| Investments..... | - | - | 2,403,595 | 2,403,595 |
| Receivables, net of allowance for uncollectibles: | | | | |
| User charges..... | 910,006 | 116,419 | 1,244,961 | 2,271,386 |
| Inventory..... | - | - | 29,771 | 29,771 |
| Purchased power advanced deposits..... | - | - | 1,396,916 | 1,396,916 |
| Total current assets..... | <u>3,180,032</u> | <u>473,435</u> | <u>5,930,168</u> | <u>9,583,635</u> |
| NONCURRENT: | | | | |
| Other postemployment benefits asset..... | - | - | 794,033 | 794,033 |
| Capital assets, nondepreciable..... | 200,926 | - | 300,171 | 501,097 |
| Capital assets, net of accumulated depreciation..... | <u>8,246,559</u> | <u>137,672</u> | <u>6,248,191</u> | <u>14,632,422</u> |
| Total noncurrent assets..... | <u>8,447,485</u> | <u>137,672</u> | <u>7,342,395</u> | <u>15,927,552</u> |
| TOTAL ASSETS..... | <u>11,627,517</u> | <u>611,107</u> | <u>13,272,563</u> | <u>25,511,187</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions..... | 104,174 | 31,603 | 247,797 | 383,574 |
| Deferred outflows related to other postemployment benefits..... | <u>427,624</u> | <u>8,881</u> | <u>246,351</u> | <u>682,856</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>531,798</u> | <u>40,484</u> | <u>494,148</u> | <u>1,066,430</u> |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable..... | 89,001 | 3,901 | 555,313 | 648,215 |
| Liabilities due depositors..... | - | - | 148,950 | 148,950 |
| Accrued interest..... | 46,207 | - | - | 46,207 |
| Compensated absences..... | 35,900 | - | 322,913 | 358,813 |
| Bonds payable..... | <u>197,008</u> | <u>-</u> | <u>-</u> | <u>197,008</u> |
| Total current liabilities..... | <u>368,116</u> | <u>3,901</u> | <u>1,027,176</u> | <u>1,399,193</u> |
| NONCURRENT: | | | | |
| Compensated absences..... | - | - | 135,903 | 135,903 |
| Net pension liability..... | 954,943 | 289,695 | 2,271,511 | 3,516,149 |
| Net other postemployment benefits liability..... | 1,308,178 | 27,168 | - | 1,335,346 |
| Bonds payable..... | <u>2,858,586</u> | <u>-</u> | <u>-</u> | <u>2,858,586</u> |
| Total noncurrent liabilities..... | <u>5,121,707</u> | <u>316,863</u> | <u>2,407,414</u> | <u>7,845,984</u> |
| TOTAL LIABILITIES..... | <u>5,489,823</u> | <u>320,764</u> | <u>3,434,590</u> | <u>9,245,177</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions..... | 90,069 | 27,324 | 214,246 | 331,639 |
| Deferred inflows related to other postemployment benefits..... | <u>44,450</u> | <u>923</u> | <u>396,352</u> | <u>441,725</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>134,519</u> | <u>28,247</u> | <u>610,598</u> | <u>773,364</u> |
| NET POSITION | | | | |
| Net investment in capital assets..... | 5,974,815 | 137,672 | 6,548,362 | 12,660,849 |
| Unrestricted..... | <u>560,158</u> | <u>164,908</u> | <u>3,173,161</u> | <u>3,898,227</u> |
| TOTAL NET POSITION..... | <u>\$ 6,534,973</u> | <u>\$ 302,580</u> | <u>\$ 9,721,523</u> | <u>\$ 16,559,076</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-------------------|--|----------------------|
| | Water | Ambulance | Electric Light December 31, 2020 | Total |
| <u>OPERATING REVENUES:</u> | | | | |
| Charges for services..... | \$ 2,699,936 | \$ 420,816 | \$ 8,458,370 | \$ 11,579,122 |
| Other operating revenues..... | - | - | 388,194 | 388,194 |
| TOTAL OPERATING REVENUES | 2,699,936 | 420,816 | 8,846,564 | 11,967,316 |
| <u>OPERATING EXPENSES:</u> | | | | |
| Cost of services and administration..... | 1,343,095 | 367,426 | 7,719,629 | 9,430,150 |
| Depreciation..... | 301,916 | 17,653 | 582,781 | 902,350 |
| TOTAL OPERATING EXPENSES..... | 1,645,011 | 385,079 | 8,302,410 | 10,332,500 |
| OPERATING INCOME (LOSS)..... | 1,054,925 | 35,737 | 544,154 | 1,634,816 |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | | | | |
| Investment income..... | 2,346 | 308 | 253,057 | 255,711 |
| Interest expense..... | (85,055) | - | - | (85,055) |
| Payment in lieu of taxes..... | - | - | (96,388) | (96,388) |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | (82,709) | 308 | 156,669 | 74,268 |
| CHANGE IN NET POSITION..... | 972,216 | 36,045 | 700,823 | 1,709,084 |
| NET POSITION AT BEGINNING OF YEAR..... | 5,562,757 | 266,535 | 9,020,700 | 14,849,992 |
| NET POSITION AT END OF YEAR..... | \$ 6,534,973 | \$ 302,580 | \$ 9,721,523 | \$ 16,559,076 |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

| | Business-type Activities - Enterprise Funds | | | |
|--|---|-------------------|--|---------------------|
| | Water | Ambulance | Electric Light December 31, 2020 | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from customers and users..... | \$ 2,567,652 | \$ 384,655 | \$ 8,563,838 | \$ 11,516,145 |
| Payments to employees and vendors..... | - | - | (7,952,075) | (7,952,075) |
| Payments to vendors..... | (912,229) | (99,168) | - | (1,011,397) |
| Payments to employees..... | (558,919) | (265,550) | - | (824,469) |
| NET CASH FROM OPERATING ACTIVITIES..... | 1,096,504 | 19,937 | 611,763 | 1,728,204 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Payments in lieu of taxes..... | - | - | (96,388) | (96,388) |
| Intergovernmental..... | 48,323 | - | - | 48,323 |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | 48,323 | - | (96,388) | (48,065) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and construction of capital assets..... | (373,532) | - | (244,489) | (618,021) |
| Principal payments on bonds and notes..... | (330,000) | - | - | (330,000) |
| Interest expense..... | (110,150) | - | - | (110,150) |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (813,682) | - | (244,489) | (1,058,171) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of investments..... | - | - | (673,813) | (673,813) |
| Investment income..... | 2,346 | 308 | 253,057 | 255,711 |
| NET CASH FROM INVESTING ACTIVITIES..... | 2,346 | 308 | (420,756) | (418,102) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | 333,491 | 20,245 | (149,870) | 203,866 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 1,936,535 | 336,771 | 1,004,795 | 3,278,101 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 2,270,026 | \$ 357,016 | \$ 854,925 | \$ 3,481,967 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | | | |
| FROM OPERATING ACTIVITIES: | | | | |
| Operating income (loss)..... | \$ 1,054,925 | \$ 35,737 | \$ 544,154 | \$ 1,634,816 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | |
| Depreciation..... | 301,916 | 17,653 | 582,781 | 902,350 |
| Deferred (outflows)/inflows related to pensions..... | 22,319 | 6,771 | 48,362 | 77,452 |
| Deferred (outflows)/inflows related to other postemployment benefits..... | (223,662) | (6,356) | 407,030 | 177,012 |
| Changes in assets and liabilities: | | | | |
| User charges..... | (132,284) | (36,161) | (300,276) | (468,721) |
| Purchased power advanced deposits..... | - | - | (286,545) | (286,545) |
| Other postemployment benefits asset..... | - | - | (648,547) | (648,547) |
| Warrants payable..... | 64,883 | (415) | 81,550 | 146,018 |
| Accrued payroll..... | (24,599) | (9,171) | - | (33,770) |
| Liabilities due depositors..... | - | - | 17,550 | 17,550 |
| Compensated absences..... | 6,200 | - | 60,254 | 66,454 |
| Net pension liability..... | (8,229) | (2,496) | 105,450 | 94,725 |
| Net other postemployment benefits liability..... | 35,035 | 14,375 | - | 49,410 |
| Total adjustments..... | 41,579 | (15,800) | 67,609 | 93,388 |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 1,096,504 | \$ 19,937 | \$ 611,763 | \$ 1,728,204 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | | |
| Intergovernmental subsidy of debt service..... | \$ 48,323 | \$ - | \$ - | \$ 48,323 |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

| | Other Postemployment Benefit Trust Fund | Private Purpose Trust Funds |
|---|--|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 11,559 | \$ 1,794 |
| Investments: | | |
| Equity mutual funds..... | 2,098,295 | - |
| Fixed income mutual funds..... | 642,770 | - |
| TOTAL ASSETS | 2,752,624 | 1,794 |
| LIABILITIES | | |
| Warrants payable..... | - | 1,200 |
| NET POSITION | | |
| Restricted for other postemployment benefits..... | 2,752,624 | - |
| Held in trust for other purposes..... | - | 594 |
| TOTAL NET POSITION | \$ 2,752,624 | \$ 594 |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

| | <u>Other Postemployment Benefit Trust Fund</u> | <u>Private Purpose Trust Funds</u> |
|--|--|--|
| ADDITIONS: | | |
| Contributions: | | |
| Employer contributions..... | \$ 102,354 | \$ - |
| Employer contributions for other postemployment benefit payments.... | 1,150,365 | - |
| Private donations..... | - | 845 |
| Total contributions..... | 1,252,719 | 845 |
| Net investment income: | | |
| Investment income..... | 570,943 | 3 |
| TOTAL ADDITIONS..... | 1,823,662 | 848 |
| DEDUCTIONS: | | |
| Other postemployment benefit payments..... | 1,150,365 | - |
| Educational scholarships..... | - | 1,200 |
| NET INCREASE (DECREASE) IN NET POSITION..... | 673,297 | (352) |
| NET POSITION AT BEGINNING OF YEAR..... | 2,079,327 | 946 |
| NET POSITION AT END OF YEAR..... | \$ 2,752,624 | \$ 594 |

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions, and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town did not identify any component units requiring inclusion in the basic financial statements.

The Georgetown Municipal Electric Light Department (GMELD) was established to generate and distribute electricity for municipal and residential use within the Town. The GMELD is governed by an elected three-member board and is operated by a manager appointed by the GMELD's elected board. It is not a separate legal entity and therefore the condensed financial statements of the GMELD are reported as an enterprise fund. A complete audited financial statement for the GMELD can be obtained directly from their office at 94 Searle Street, Georgetown, Massachusetts 01833.

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

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water, ambulance, and electric light enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported for the year ended June 30, 2021:

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

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

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

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

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

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

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

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

The following proprietary funds are reported:

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

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

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

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

The following fiduciary fund types are reported:

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported. Real estate tax liens are processed by the last day in September following the last billing cycle.

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

Motor Vehicle Excise Taxes

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

Water user charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user charges are estimated at year-end and are recorded as revenue in the current period.

Since the Town disconnects water service for nonpayment, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Ambulance user charges are billed as services are provided. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

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

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

Loans

Loans receivable represent Title V loans provided through the Massachusetts Clean Water Trust to qualifying residential septic system projects.

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art, historical treasures and similar assets; and capital assets received in service concession agreements are recorded at acquisition value. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in years)</u> |
|---------------------------------|---|
| Buildings and improvements..... | 40 |
| Equipment and furniture..... | 5-10 |
| Other improvements..... | 10-30 |
| Infrastructure..... | 40-50 |
| Vehicles..... | 5-15 |

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents amounts that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the entity-wide (full accrual) financial statements.

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

Net position has been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

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

"Gifts and grants" represents restrictions placed on assets from outside parties and primarily consists of federal and state grants.

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision-making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

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

N. Pensions

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

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Town maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits (excluding GMELD) totaled \$15,330,323 and the bank balance totaled \$15,766,646. Of the bank balance, \$1,012,257 was covered by Federal Depository Insurance, \$4,437,485 was covered by Depositor's Insurance Fund, and \$10,316,904 was exposed to custodial credit risk because it was uninsured and uncollateralized.

As of December 31, 2020, GMELD's carrying amount of deposits totaled \$854,925.

Investments

The Town participates in the MMDT cash portfolio. MMDT maintains a cash portfolio with average maturities of approximately 53 days. The fair value of the position of the Pool is the same as the value of the Pool shares. The Town's investment in MMDT totaled \$35,257 at June 30, 2021.

At December 31, 2020, GMELD's investments totaled \$2,403,595.

As of June 30, 2021, the Town and OPEB Trust had the following investments:

| <u>Investment Type</u> | <u>Fair value</u> |
|---|---------------------|
| Equity mutual funds (OPEB Trust)..... | \$ 2,098,295 |
| Fixed income mutual funds (OPEB Trust)..... | 642,770 |
| MMDT - Cash portfolio (Town)..... | <u>35,257</u> |
| Total investments..... | <u>\$ 2,776,322</u> |

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of the outside party. The Town's policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. The Town and the OPEB Trust do not have any custodial credit risk exposure for its investments since external investment pools and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical for book-entry form.

Interest Rate Risk - Investments

To manage its exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the investment of short-term funds to maturities of one year or less.

Credit Risk - Investments

The Town's investment policy allows for unlimited investment in MMDT and it allows all trust funds to be invested in any instruments allowed by the Legal List issued by the Banking Commissioner, regardless of their rating. The Town's investment in MMDT at June 30, 2021, is unrated.

Fair Value Measurement

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2021:

| Investment Type | June 30, 2021 | Fair Value Measurements Using | | |
|--|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments measured at fair value: | | | | |
| <u>Other investments:</u> | | | | |
| Equity mutual funds..... | \$ 2,098,295 | \$ 2,098,295 | \$ - | \$ - |
| Fixed income mutual funds..... | 642,770 | 642,770 | - | - |
| Total investments measured at fair value..... | 2,741,065 | \$ 2,741,065 | \$ - | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT - Cash portfolio..... | 35,257 | | | |
| Total investments..... | \$ 2,776,322 | | | |

Equity mutual funds and fixed income mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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

The GMELD’s fair value of investments can be found in their separately issued financial statements. The GMELD is governed by a separate legal board that issues yearly financial statements which can be obtained by contacting them directly at 94 Searle Street, Georgetown, Massachusetts 01833.

NOTE 3 – RECEIVABLES

At June 30, 2021, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 430,505 | \$ (19,236) | \$ 411,269 |
| Tax liens..... | 361,108 | - | 361,108 |
| Community preservation fund surtax..... | 8,799 | - | 8,799 |
| Motor vehicle excise taxes..... | 165,917 | (54,695) | 111,222 |
| Intergovernmental - other..... | 33,932 | - | 33,932 |
| Community preservation state share..... | 385,407 | - | 385,407 |
| Loans..... | 128,739 | - | 128,739 |
| Total..... | <u>\$ 1,514,407</u> | <u>\$ (73,931)</u> | <u>\$ 1,440,476</u> |

At June 30, 2021, receivables for the Town’s water and ambulance enterprise funds consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|-------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Water user charges..... | \$ 910,006 | \$ - | \$ 910,006 |
| Ambulance fees..... | 177,433 | (61,014) | 116,419 |
| Total..... | <u>\$ 1,087,439</u> | <u>\$ (61,014)</u> | <u>\$ 1,026,425</u> |

At December 31, 2020, receivables for the electric light enterprise fund consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|----------------------------------|-----------------|------------------------------------|---------------|
| <u>Receivables:</u> | | | |
| Electric light user charges..... | \$ 1,244,961 | \$ - | \$ 1,244,961 |

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

| | General Fund | Other Governmental Funds | Total |
|---|-------------------|--------------------------------|-------------------|
| <u>Receivables and other asset types:</u> | | | |
| Real estate and personal property taxes..... | \$ 137,825 | \$ - | \$ 137,825 |
| Tax liens and foreclosures..... | 357,676 | 3,432 | 361,108 |
| Community preservation fund surtax..... | - | 8,799 | 8,799 |
| Motor vehicle excise taxes..... | 111,222 | - | 111,222 |
| Intergovernmental - highway improvements..... | - | 5,745 | 5,745 |
| Loans..... | - | 128,739 | 128,739 |
| Tax foreclosures..... | 195,327 | - | 195,327 |
| Total..... | <u>\$ 802,050</u> | <u>\$ 146,715</u> | <u>\$ 948,765</u> |

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------------------|-------------------|----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 4,967,958 | \$ - | \$ - | \$ 4,967,958 |
| Construction in progress..... | 201,775 | 91,871 | (9,393) | 284,253 |
| Total capital assets not being depreciated..... | <u>5,169,733</u> | <u>91,871</u> | <u>(9,393)</u> | <u>5,252,211</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements..... | 90,734,749 | 247,662 | - | 90,982,411 |
| Equipment and furniture..... | 1,271,905 | 190,950 | - | 1,462,855 |
| Other improvements..... | 3,995,199 | 22,000 | - | 4,017,199 |
| Infrastructure..... | 15,452,078 | 493,560 | (91,429) | 15,854,209 |
| Vehicles..... | 3,413,026 | 211,862 | - | 3,624,888 |
| Total capital assets being depreciated..... | <u>114,866,957</u> | <u>1,166,034</u> | <u>(91,429)</u> | <u>115,941,562</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and improvements..... | (30,814,735) | (2,616,321) | - | (33,431,056) |
| Equipment and furniture..... | (1,185,472) | (109,121) | - | (1,294,593) |
| Other improvements..... | (1,986,007) | (236,755) | - | (2,222,762) |
| Infrastructure..... | (5,192,587) | (411,143) | 91,429 | (5,512,301) |
| Vehicles..... | (2,491,441) | (185,606) | - | (2,677,047) |
| Total accumulated depreciation..... | <u>(41,670,242)</u> | <u>(3,558,946)</u> | <u>91,429</u> | <u>(45,137,759)</u> |
| Total capital assets being depreciated, net..... | <u>73,196,715</u> | <u>(2,392,912)</u> | <u>-</u> | <u>70,803,803</u> |
| Total governmental activities capital assets, net..... | <u>\$ 78,366,448</u> | <u>\$ (2,301,041)</u> | <u>\$ (9,393)</u> | <u>\$ 76,056,014</u> |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Water: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 200,926 | \$ - | \$ - | \$ 200,926 |
| <u>Capital assets being depreciated:</u> | | | | |
| Equipment and furniture..... | 149,032 | - | - | 149,032 |
| Other improvements..... | 81,070 | - | - | 81,070 |
| Infrastructure..... | 13,152,025 | 356,242 | (19,210) | 13,489,057 |
| Vehicles..... | 134,026 | 17,825 | - | 151,851 |
| Total capital assets being depreciated..... | <u>13,516,153</u> | <u>374,067</u> | <u>(19,210)</u> | <u>13,871,010</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Equipment and furniture..... | (149,032) | - | - | (149,032) |
| Other improvements..... | (72,658) | (886) | - | (73,544) |
| Infrastructure..... | (5,019,753) | (287,895) | 19,210 | (5,288,438) |
| Vehicles..... | (100,302) | (13,135) | - | (113,437) |
| Total accumulated depreciation..... | <u>(5,341,745)</u> | <u>(301,916)</u> | <u>19,210</u> | <u>(5,624,451)</u> |
| Total capital assets being depreciated, net..... | <u>8,174,408</u> | <u>72,151</u> | <u>-</u> | <u>8,246,559</u> |
| Total water activities capital assets, net..... | <u>\$ 8,375,334</u> | <u>\$ 72,151</u> | <u>\$ -</u> | <u>\$ 8,447,485</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| Ambulance: | | | | |
| <u>Capital assets being depreciated:</u> | | | | |
| Machinery and equipment..... | \$ 61,858 | \$ - | \$ - | \$ 61,858 |
| Vehicles..... | 172,000 | - | - | 172,000 |
| Total capital assets being depreciated..... | <u>233,858</u> | <u>-</u> | <u>-</u> | <u>233,858</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Machinery and equipment..... | (15,465) | (6,186) | - | (21,651) |
| Vehicles..... | (63,068) | (11,467) | - | (74,535) |
| Total accumulated depreciation..... | <u>(78,533)</u> | <u>(17,653)</u> | <u>-</u> | <u>(96,186)</u> |
| Total ambulance activities capital assets, net..... | <u>\$ 155,325</u> | <u>\$ (17,653)</u> | <u>\$ -</u> | <u>\$ 137,672</u> |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Electric Light: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 300,171 | - | - | \$ 300,171 |
| <u>Capital assets being depreciated:</u> | | | | |
| Structures and improvements..... | 621,279 | 70,124 | - | 691,403 |
| Machinery and equipment..... | 8,826,353 | 104,296 | - | 8,930,649 |
| Infrastructure..... | 5,121,971 | 70,069 | - | 5,192,040 |
| Total capital assets being depreciated..... | <u>14,569,603</u> | <u>244,489</u> | <u>-</u> | <u>14,814,092</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Structures and improvements..... | (299,474) | (22,708) | - | (322,182) |
| Machinery and equipment..... | (4,798,523) | (457,276) | - | (5,255,799) |
| Infrastructure..... | (2,885,123) | (102,797) | - | (2,987,920) |
| Total accumulated depreciation..... | <u>(7,983,120)</u> | <u>(582,781)</u> | <u>-</u> | <u>(8,565,901)</u> |
| Total capital assets being depreciated, net..... | <u>6,586,483</u> | <u>(338,292)</u> | <u>-</u> | <u>6,248,191</u> |
| Total electric light activities capital assets, net..... | <u>\$ 6,886,654</u> | <u>\$ (338,292)</u> | <u>\$ -</u> | <u>\$ 6,548,362</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government..... | \$ 158,466 |
| Public safety..... | 209,515 |
| Education..... | 2,572,415 |
| Public works..... | 453,459 |
| Culture and recreation..... | <u>165,091</u> |
| Total depreciation expense - governmental activities..... | <u>\$ 3,558,946</u> |
| | |
| Business-Type Activities: | |
| Water..... | \$ 301,916 |
| Ambulance..... | 17,653 |
| Electric Light..... | <u>582,781</u> |
| Total depreciation expense - business-type activities..... | <u>\$ 902,350</u> |

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

| Transfers Out: | Transfers In: | | |
|----------------------------------|-------------------|-----------------------------|-------------------|
| | General fund | Nonmajor governmental funds | Total |
| General fund..... | \$ - | \$ 150,200 | \$ 150,200 (1) |
| Community preservation fund..... | 175,600 | 86,000 | 261,600 (2) |
| Nonmajor governmental funds..... | 21,060 | - | 21,060 (3) |
| Total..... | \$ <u>196,660</u> | \$ <u>236,200</u> | \$ <u>432,860</u> |

- (1) Represents budgeted transfers from the general fund to nonmajor capital projects.
- (2) Represents a budgeted transfer from the community preservation fund to the general fund for debt service. Also represents a transfer from the community preservation fund to the affordable housing trust nonmajor governmental fund.
- (3) Represents a budgeted transfer from receipts reserved for appropriation to the general fund.

NOTE 6 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds respectively.

The Governmental and Enterprise Funds did not issue or redeem short-term debt during the year and did not have any amounts outstanding at year-end.

NOTE 7 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2021, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2021 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| General Obligation Bonds: | | | | |
| Library Addition (2005)..... | 2025 | \$ 2,400,000 | 4.25 | \$ 480,000 |
| ESCO (2013) | 2028 | 2,199,000 | 0.04-3.00 | 1,120,000 |
| School (2014)..... | 2039 | 24,000,000 | 3.00-5.00 | 17,000,000 |
| Field/ School (2015)..... | 2036 | 3,400,000 | 3.00-4.00 | 2,550,000 |
| Turf (2015)..... | 2023 | 1,000,000 | 2.00-4.00 | 280,000 |
| Conservation (2015)..... | 2023 | 131,067 | 2.00-4.00 | 30,000 |
| Middle/High School (2019)..... | 2040 | 410,000 | 2.00-5.00 | 385,000 |
| Penn Brook School (2019)..... | 2040 | 1,300,000 | 2.00-5.00 | 1,235,000 |
| Elm Street (2019)..... | 2032 | 1,345,000 | 2.00-5.00 | 1,230,000 |
| Total Bonds Payable..... | | | | 24,310,000 |
| Add: Unamortized premium on bonds..... | | | | 703,492 |
| Total Bonds Payable, net..... | | | | \$ 25,013,492 |

Debt service requirements for principal and interest for governmental general obligation bonds and direct borrowings payable in future years are as follows:

| Year | General Obligation Bonds: | | |
|------------|---------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 1,795,000 | \$ 892,127 | \$ 2,687,127 |
| 2023..... | 1,795,000 | 810,327 | 2,605,327 |
| 2024..... | 1,645,000 | 741,317 | 2,386,317 |
| 2025..... | 1,650,000 | 675,919 | 2,325,919 |
| 2026..... | 1,530,000 | 623,506 | 2,153,506 |
| 2027..... | 1,535,000 | 573,296 | 2,108,296 |
| 2028..... | 1,540,000 | 522,926 | 2,062,926 |
| 2029..... | 1,365,000 | 478,201 | 1,843,201 |
| 2030..... | 1,265,000 | 428,713 | 1,693,713 |
| 2031..... | 1,265,000 | 382,738 | 1,647,738 |
| 2032..... | 1,265,000 | 336,551 | 1,601,551 |
| 2033..... | 1,155,000 | 291,313 | 1,446,313 |
| 2034..... | 1,155,000 | 247,238 | 1,402,238 |
| 2035..... | 1,155,000 | 202,950 | 1,357,950 |
| 2036..... | 1,155,000 | 158,450 | 1,313,450 |
| 2037..... | 985,000 | 116,925 | 1,101,925 |
| 2038..... | 985,000 | 78,375 | 1,063,375 |
| 2039..... | 985,000 | 39,825 | 1,024,825 |
| 2040..... | 85,000 | 1,275 | 86,275 |
| Total..... | \$ <u>24,310,000</u> | \$ <u>7,601,972</u> | \$ <u>31,911,972</u> |

Bonds Payable Schedule – Water Enterprise Fund

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2021 |
|--|--------------------|----------------------|-------------------|------------------------------|
| General Obligation Bonds: | | | | |
| General Obligation Water Bonds (2005)..... | 2025 | \$ 500,000 | 4.25 | \$ 135,000 |
| Water Tank..... | 2040 | 2,925,000 | 2.00-5.00 | <u>2,775,000</u> |
| Total Bonds Payable..... | | | | 2,910,000 |
| Add: Unamortized premium on bonds..... | | | | <u>145,594</u> |
| Total Bonds Payable, net..... | | | | \$ <u><u>3,055,594</u></u> |

Debt service requirements for principal and interest for water enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

| Year | General Obligation Bonds: | | |
|------------|---------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2022..... | \$ 180,000 | \$ 101,374 | \$ 281,374 |
| 2023..... | 185,000 | 92,574 | 277,574 |
| 2024..... | 185,000 | 83,674 | 268,674 |
| 2025..... | 185,000 | 74,774 | 259,774 |
| 2026..... | 145,000 | 66,701 | 211,701 |
| 2027..... | 145,000 | 59,451 | 204,451 |
| 2028..... | 145,000 | 52,201 | 197,201 |
| 2029..... | 145,000 | 47,126 | 192,126 |
| 2030..... | 145,000 | 43,863 | 188,863 |
| 2031..... | 145,000 | 40,238 | 185,238 |
| 2032..... | 145,000 | 36,613 | 181,613 |
| 2033..... | 145,000 | 32,625 | 177,625 |
| 2034..... | 145,000 | 28,275 | 173,275 |
| 2035..... | 145,000 | 23,925 | 168,925 |
| 2036..... | 145,000 | 19,575 | 164,575 |
| 2037..... | 145,000 | 15,225 | 160,225 |
| 2038..... | 145,000 | 10,875 | 155,875 |
| 2039..... | 145,000 | 6,525 | 151,525 |
| 2040..... | 145,000 | 2,175 | 147,175 |
| Total..... | \$ <u>2,910,000</u> | \$ <u>837,789</u> | \$ <u>3,747,789</u> |

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At year end, the Town had the following authorized and unissued debt:

| Purpose | Amount |
|--------------------------------------|----------------------|
| Penn Brook Feasibility Study..... | \$ 333,000 |
| Energy Services Performance..... | 1,801,000 |
| Dump Truck..... | 398 |
| Penn Brook Construction Project..... | 21,004,400 |
| Middle/High School Renovation..... | 3,405,726 |
| Total..... | \$ <u>26,544,524</u> |

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|--|----------------------|------------------------------|--------------------------------|--------------------|--------------------|-------------------|------------------------|
| Governmental Activities: | | | | | | | |
| Long-term general obligation bonds payable..... | \$ 26,110,000 | \$ - | \$ (1,800,000) | \$ - | \$ - | \$ 24,310,000 | \$ 1,795,000 |
| Long-term direct borrowings payable..... | 21,081 | - | (21,081) | - | - | - | - |
| Add: Unamortized premium on bonds..... | 790,073 | - | (86,581) | - | - | 703,492 | 80,035 |
| Total bonds payable..... | 26,921,154 | - | (1,907,662) | - | - | 25,013,492 | 1,875,035 |
| Capital lease obligations..... | 13,251 | - | - | - | (13,251) | - | - |
| Compensated absences..... | 357,500 | - | - | 63,400 | (101,100) | 319,800 | 102,500 |
| Net pension liability..... | 17,132,411 | - | - | 1,330,653 | (1,477,041) | 16,986,023 | - |
| Net other postemployment benefits liability..... | 37,472,799 | - | - | 17,773,364 | (1,151,776) | 54,094,387 | - |
| Total governmental activity long-term liabilities..... | \$ 81,897,115 | \$ - | \$ (1,907,662) | \$ 19,167,417 | \$ (2,743,168) | \$ 96,413,702 | \$ 1,977,535 |
| Business-Type Activities: | | | | | | | |
| Long-term general obligation bonds payable..... | \$ 3,090,000 | \$ - | \$ (180,000) | \$ - | \$ - | \$ 2,910,000 | \$ 180,000 |
| Long-term direct borrowings payable..... | 150,000 | - | (150,000) | - | - | - | - |
| Add: Unamortized premium on bonds..... | 163,923 | - | (18,329) | - | - | 145,594 | 17,008 |
| Total bonds payable..... | 3,403,923 | - | (348,329) | - | - | 3,055,594 | 197,008 |
| Compensated absences..... | 428,262 | - | - | 385,617 | (319,163) | 494,716 | 358,813 |
| Net pension liability..... | 3,421,424 | - | - | 389,697 | (294,972) | 3,516,149 | - |
| Net other postemployment benefits liability..... | 1,285,936 | - | - | 97,999 | (48,589) | 1,335,346 | - |
| Total business-type activity long-term liabilities..... | \$ 8,539,545 | \$ - | \$ (348,329) | \$ 873,313 | \$ (662,724) | \$ 8,401,805 | \$ 555,821 |

The governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

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

As of June 30, 2021, the governmental fund balances consisted of the following:

| | <u>General</u> | <u>Community Preservation Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|--|--|---|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ 5,000 | \$ 5,000 |
| Restricted for: | | | | |
| Community preservation fund..... | - | 3,569,282 | - | 3,569,282 |
| Town capital projects..... | - | - | 89,168 | 89,168 |
| Town revolving..... | - | - | 437,451 | 437,451 |
| Town gifts and grants..... | - | - | 17,992 | 17,992 |
| Town receipts reserved for appropriation..... | - | - | 262,621 | 262,621 |
| School lunch..... | - | - | 70,560 | 70,560 |
| School revolving..... | - | - | 1,258,861 | 1,258,861 |
| Other special revenue..... | - | - | 153,376 | 153,376 |
| School gifts and grants..... | - | - | 36,794 | 36,794 |
| Expendable permanent funds..... | - | - | 362,610 | 362,610 |
| Assigned to: | | | | |
| Public safety..... | 3,442 | - | - | 3,442 |
| Public works..... | 18,288 | - | - | 18,288 |
| Unassigned..... | <u>3,863,066</u> | <u>-</u> | <u>-</u> | <u>3,863,066</u> |
| Total Fund Balances..... | <u>\$ 3,884,796</u> | <u>\$ 3,569,282</u> | <u>\$ 2,694,433</u> | <u>\$ 10,148,511</u> |

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. In accordance with Massachusetts General Law, the Town has established a general stabilization fund, a capital stabilization fund and a compensated absences stabilization fund.

At year end, the Town’s general fund’s unassigned fund balance included \$1,489,828 in the general stabilization fund, \$335,179 in the capital stabilization fund, and \$55,000 in the compensated absence stabilization fund.

NOTE 9 – COMMUNITY PRESERVATION FUNDS

The Town approved the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation, and support of open space, historic resources, land for recreational use and community housing. The CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing.

In accordance with the CPA, the Town has approved a bylaw establishing a Community Preservation Committee (CPC) to study the needs, possibilities and resources of the Town regarding community preservation and to make recommendations for Town Meeting approval to fund eligible projects using CPA funds.

As of June 30, 2021, the CPA fund has a balance of \$3.6 million and is reported as a major fund in the governmental fund financial statements.

NOTE 10 – RISK FINANCING

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

The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

NOTE 11 – ELECTRIC LIGHT DEPARTMENT

The Town of Georgetown, acting through its Electric Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise a 11.6% ownership interest in the Seabrook Station nuclear generating unit operating by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department Revenues. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

As of December 31, 2020, MMWEC has no debt service obligations outstanding related to the Projects. MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participates for the year ended December 31, 2020 and 2019, respectively are listed in the following table:

| Projects | Percentage Share | Total Capital Expenditures 2020 | Capacity, Fuel & Transmission Billed 2020 | Capacity, Fuel & Transmission Billed 2019 |
|---------------------------------------|------------------|---------------------------------|---|---|
| Stony Brook Peaking Project..... | 1.0144% | \$ 613,561 | \$ 38,315 | \$ 37,013 |
| Stony Brook Intermediate Project..... | 0.8105% | 1,463,794 | 112,560 | 105,138 |
| Nuclear Mix No. 1 - Seabrook..... | 0.6956% | 70,795 | 3,262 | 3,798 |
| Nuclear Mix No. 1 - Millstone..... | 0.6956% | 427,352 | 41,327 | 40,788 |
| Nuclear Mix No. 3 - Millstone..... | 0.3020% | 452,470 | 35,962 | 35,593 |
| Nuclear Mix No. 4 - Seabrook..... | 0.7180% | 2,162,696 | 89,924 | 104,960 |
| Nuclear Mix No. 5 - Seabrook..... | 0.3490% | 284,655 | 11,219 | 13,089 |
| Project No. 6 - Seabrook..... | 0.9919% | 5,547,470 | 174,098 | 228,103 |
| Total..... | | \$ 11,022,793 | \$ 506,667 | \$ 568,482 |

NOTE 12 – PENSION PLAN

Plan Descriptions

The Town is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of its member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The ERRS issues a publicly available audited financial report. That report may be obtained by contacting the ERRS located at 491 Maple Street, Danvers, Massachusetts, 01923 or by visiting www.essexregional.com or www.mass.gov/perac.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$5,006,938 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$40,537,309 as of the measurement date.

Benefits Provided

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

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution, inclusive of the Electric Light Department, equaled its actual contribution for the year ended December 31, 2020, was \$1,982,235 and 24.91% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2021, the Town reported a liability of \$18,230,661 for its proportionate share of the net pension liability. At December 31, 2020, the Electric Light Department reported a liability of \$2,271,511 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020,

for the Town and for the Electric Light Department, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, for the Town and Electric Light Department. Accordingly, update procedures were used to roll the total pension liability to the measurement dates. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Town’s proportion was 4.593%, exclusive of the Electric Light Department; the Electric Light Department’s proportion was 0.572%. The Town’s proportion decreased from the proportion measured at December 31, 2019, by 0.285%.

Pension Expense

For the year ended June 30, 2021, the Town, excluding the Electric Light Department, recognized a pension expense of \$2,042,313 and reported deferred outflows of resources related to pensions of \$1,988,768 and deferred inflows of resources related to pensions of \$1,719,493.

The balances of deferred outflows/(inflows) related to pensions for the Town, excluding the Electric Light Department; at June 30, 2021, consist of the following:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------|-------------------------------|-------------|
| Differences between expected and actual experience..... | \$ 2,026 | \$ (15,632) | \$ (13,606) |
| Difference between projected and actual earnings, net..... | - | (1,356,346) | (1,356,346) |
| Changes in assumptions..... | 1,219,580 | - | 1,219,580 |
| Changes in proportion and proportionate share of contributions..... | 767,162 | (347,515) | 419,647 |
| Total deferred outflows/(inflows) of resources..... | \$ 1,988,768 | \$ (1,719,493) | \$ 269,275 |

The deferred outflows/ (inflows) of resources related to pensions for the Town, excluding the Electric Light Department, will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2022..... | \$ 134,126 |
| 2023..... | 208,211 |
| 2024..... | (41,178) |
| 2025..... | (31,884) |
| Total..... | \$ 269,275 |

The balances of deferred outflows/ (inflows) related to pensions for the Electric Light Department at December 31, 2020, consists of the following:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|------------|
| Differences between expected and actual experience..... | \$ 248 | \$ (1,948) | \$ (1,700) |
| Difference between projected and actual earnings, net..... | - | (169,001) | (169,001) |
| Changes in assumptions..... | 151,960 | - | 151,960 |
| Changes in proportion and proportionate share of contributions..... | 95,589 | (43,297) | 52,292 |
| Total deferred outflows/(inflows) of resources..... | \$ 247,797 | \$ (214,246) | \$ 33,551 |

The deferred outflows/ (inflows) of resources related to pensions for the Electric Light Department will be recognized in pension expense as follows:

Year ended December 31:

| | |
|------------|-----------|
| 2021..... | \$ 16,717 |
| 2022..... | 25,951 |
| 2023..... | (5,132) |
| 2024..... | (3,985) |
| Total..... | \$ 33,551 |

Actuarial Assumptions

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2020:

| | |
|--|---|
| Valuation date..... | January 1, 2020 |
| Salary increases..... | Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service. |
| Net investment return/Discount rate..... | 7.30% |
| Inflation rate..... | 2.75% |
| Cost of living adjustments..... | 2% of first \$14,000 for fiscal year 2021 and 3% of first \$14,000 thereafter. |

Mortality rates:

| | |
|-----------------------|---|
| Pre-retirement..... | RP-2014 Employee Mortality Table projected generationally with Scale MP-2019. |
| Healthy retiree..... | RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019. |
| Disabled retiree..... | RP-2014 Healthy Annuitant Mortality Table, set forward two years projected generationally with Scale MP-2019. |

The total pension liability in the January 1, 2020, actuarial valuation, for the Electric Light Department, was determined using the same actuarial assumptions as listed above.

Investment Policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of returns (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deduction inflation, but before investment expense, used in the derivation of the long-term investment rate of return assumption as of December 31, 2020, are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|---|--|---|
| Domestic equity..... | 23.10% | 6.40% |
| International developed markets equity..... | 14.40% | 6.60% |
| International emerging markets equity..... | 5.80% | 8.40% |
| Core fixed income..... | 15.80% | 2.70% |
| Value added fixed income..... | 7.40% | 6.20% |
| Private equity..... | 12.40% | 10.20% |
| Real estate..... | 8.30% | 6.00% |
| Timberland..... | 3.30% | 6.60% |
| Hedge fund, PCS..... | 8.80% | 5.20% |
| Liquidating portfolios..... | 0.10% | 0.00% |
| Overlay..... | 0.60% | 0.00% |
| Total..... | 100.00% | |

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability for the Town and the Electric Light Department was 7.30%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following information presents the net pension liability, calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | 1% Decrease (6.30%) | Current Discount (7.30%) | 1% Increase (8.30%) |
|---|------------------------|--------------------------------|------------------------|
| <u>December 31, 2020 Measurement Date</u> | | | |
| The Town's proportionate share of the net pension liability..... | \$ 23,343,213 | \$ 18,230,661 | \$ 13,932,944 |
| The Electric Light Department's proportionate share of the net pension liability..... | \$ 2,909,421 | \$ 2,271,511 | \$ 1,736,556 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Essex Regional Retirement System financial report.

Changes in Assumptions:

None.

Changes in Plan Provisions:

None.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town administers a single-employer defined benefit healthcare plan (Plan), which the Electric Light Department participates in. The Plan provides lifetime healthcare, prescription drug, dental, vision and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town and the Electric Light Department are required to contribute 50-69 percent of the cost of current-year premiums for health insurance and 50 percent of the cost of current year dental and life insurance premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 31-50 percent of their premium costs. The Town and the Electric Light Department may contribute additional amounts to pre-fund benefits. The Town contributed \$50,000 during 2021, and the Electric Light Department contributed \$52,354.

OPEB Employer Financial Reporting for the Town, Exclusive of the Electric Light Department

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2021:

| | |
|--|-------------------|
| Active members..... | 285 |
| Inactive members currently receiving benefits..... | <u>196</u> |
| Total..... | <u><u>481</u></u> |

Components of the Town’s OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2021:

| | |
|--|-----------------------------|
| Total OPEB liability..... | \$ 55,782,423 |
| Less: OPEB plan's fiduciary net position..... | <u>(352,690)</u> |
| Net OPEB liability..... | <u><u>\$ 55,429,733</u></u> |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 0.63% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to June 30, 2021:

| | |
|--------------------------------------|--|
| Valuation date..... | July 1, 2020 |
| Actuarial cost method..... | Individual entry age normal. |
| Asset valuation method..... | Market value of assets as of the measurement date, June 30, 2021. |
| Investment rate of return..... | 6.04%, net of OPEB plan investment expense, including inflation. |
| Municipal bond rate..... | 2.18% as of June 30, 2021 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG). |
| Single equivalent discount rate..... | 2.25%, net of OPEB plan investment expense, including inflation. |
| Inflation..... | 2.50% as of June 30, 2021, and for future periods. |
| Salary increases..... | 3.00% annually as of June 30, 2021, and for future periods. |
| Pre-retirement mortality..... | General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females, set forward one year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2016 for males and females. |
| Post-retirement mortality..... | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward one year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females. |
| Disabled mortality..... | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward one year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females. |

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 22.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2021, and projected geometric real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--|--|---|
| Domestic equity - large cap..... | 23.50% | 4.90% |
| Domestic equity - small/mid cap..... | 16.75% | 5.40% |
| International equity - developed market..... | 10.00% | 5.32% |
| International equity - emerging market..... | 5.00% | 6.26% |
| Domestic fixed income..... | 32.50% | 1.40% |
| International fixed income..... | 6.50% | 1.30% |
| Alternatives..... | 5.50% | 6.32% |
| Real estate..... | 0.00% | 6.25% |
| Cash & cash equivalents..... | 0.25% | 0.00% |
| Total..... | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25% as of June 30, 2021, and 3.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to the initial periods where the assets are expected to be sufficient to provide benefit payments and the 2.18% municipal bond rate, based on the Municipal Bond 20-Year High Grade Index – SAPIHG, was applied to all periods thereafter to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 2.25%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate.

| | 1% Decrease (1.25%) | Current Discount Rate (2.25%) | 1% Increase (3.25%) |
|----------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... \$ | \$ 66,467,432 | \$ 55,429,733 | \$ 46,914,686 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

| | <u>1% Decrease</u> | <u>Current Trend</u> | <u>1% Increase</u> |
|-------------------------|----------------------|----------------------|----------------------|
| Net OPEB liability..... | \$ <u>46,707,468</u> | \$ <u>55,429,733</u> | \$ <u>67,014,189</u> |

Changes in the Net OPEB Liability

| | <u>Increase (Decrease)</u> | | |
|---|---|--|---|
| | <u>Total OPEB Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net OPEB Liability (a) - (b)</u> |
| Balances at June 30, 2020..... | \$ 39,002,378 | \$ 243,643 | \$ 38,758,735 |
| Changes for the year: | | | |
| Service cost..... | 1,712,313 | - | 1,712,313 |
| Interest..... | 1,204,313 | - | 1,204,313 |
| Differences between expected and actual experience..... | 1,735,871 | - | 1,735,871 |
| Changes in assumptions and other inputs..... | 13,277,913 | - | 13,277,913 |
| Benefit payments..... | (1,150,365) | (1,150,365) | - |
| Net investment income..... | - | 59,047 | (59,047) |
| Contributions - employer..... | - | 1,200,365 | (1,200,365) |
| Net change..... | <u>16,780,045</u> | <u>109,047</u> | <u>16,670,998</u> |
| Balances at June 30, 2021..... | \$ <u>55,782,423</u> | \$ <u>352,690</u> | \$ <u>55,429,733</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2021, the Town recognized OPEB expense of \$6,491,681. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Deferred Category</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Total</u> |
|--|---|--|----------------------|
| Differences between expected and actual experience..... | \$ 1,426,447 | \$ (912,457) | \$ 513,990 |
| Difference between projected and actual earnings, net..... | - | (26,219) | (26,219) |
| Changes in assumptions..... | <u>16,692,725</u> | <u>(944,734)</u> | <u>15,747,991</u> |
| Total deferred outflows/(inflows) of resources..... | \$ <u>18,119,172</u> | \$ <u>(1,883,410)</u> | \$ <u>16,235,762</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|----------------------------|----------------------|
| <u>Year ended June 30:</u> | |
| 2022..... | \$ 3,591,260 |
| 2023..... | 3,593,037 |
| 2024..... | 3,785,293 |
| 2025..... | 3,633,653 |
| 2026..... | <u>1,632,519</u> |
| Total..... | \$ <u>16,235,762</u> |

Changes of Assumptions:

- The discount rate has been changed from 3.00% to 2.25%.
- The methodology for calculating expected claims has been updated.
- The Getzen model has been adopted to project future healthcare costs.

Changes in Plan Provisions:

None.

OPEB Employer Financial Reporting for the Georgetown Municipal Electric Light Department

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position related to the Georgetown Municipal Electric Light Department (GMELD) have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost, whenever applicable.

Measurement Date

GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability for the GMELD was measured as of December 31, 2020, and the total OPEB liability for the GMELD used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020.

Employees Covered by Benefit Terms

The following table represents the Plan's membership related to the GMELD at December 31, 2020:

| | |
|--|------------------|
| Active members..... | 10 |
| Inactive members currently receiving benefits..... | <u>7</u> |
| Total..... | <u><u>17</u></u> |

Components of the GMELD's OPEB Liability

The following table represents the components of the Plan's OPEB liability (asset) related to the GMELD as of December 31, 2020:

| | |
|--|----------------------------|
| Total OPEB liability..... | \$ 1,415,550 |
| Less: OPEB plan's fiduciary net position..... | <u>(2,209,583)</u> |
| Net OPEB liability (asset)..... | <u><u>\$ (794,033)</u></u> |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 156.09% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Valuation date..... | January 1, 2020 |
| Actuarial cost method..... | Individual entry age normal. |
| Inflation..... | 2.40% annually. |
| Investment rate of return..... | 6.50%, net of OPEB plan investment expense, including inflation. |
| Salary increases..... | 3.50% annually. |
| Health cost trend rates..... | 7.00% decreasing to 5.20%. |
| Post and Pre-Retirement Mortality..... | RP-2014 Healthy Annuitant Mortality Table, projected with generational mortality improvement using Scale MP-2019. |

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 16.71%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Policy

The plan’s policy in regard to the allocation of invested assets is approved and may be amended by the Treasurer with the approval of the Electric Commissioners. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class summarized in the target asset allocation as of December 31, 2020, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--|---|
| Domestic equity..... | 34.00% | 4.96% |
| International equity..... | 22.00% | 7.01% |
| Domestic fixed income..... | 20.00% | 2.22% |
| International fixed income..... | 4.00% | 1.53% |
| Alternatives..... | 20.00% | 2.76% |
| Total..... | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that Department contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability (asset) and service cost, calculated using the discount rate of 6.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate.

| | <u>1% Decrease (5.50%)</u> | <u>Current Discount Rate (6.50%)</u> | <u>1% Increase (7.50%)</u> |
|------------------------------------|--------------------------------|--|--------------------------------|
| Net OPEB liability (asset)..... \$ | \$ <u>(556,175)</u> | \$ <u>(794,033)</u> | \$ <u>(983,143)</u> |

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability (asset) and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

| | <u>1% Decrease</u> | <u>Current Trend</u> | <u>1% Increase</u> |
|-----------------------------------|--------------------|----------------------|--------------------|
| Net OPEB liability (asset).... \$ | <u>(959,777)</u> | <u>(794,033)</u> | <u>(588,205)</u> |

Changes in Net OPEB Liability (Asset)

| | <u>Increase (Decrease)</u> | | |
|---|---|--|---|
| | <u>Total OPEB Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net OPEB Liability (Asset) (a) - (b)</u> |
| Balances December 31, 2019..... \$ | 1,584,296 | \$ 1,729,782 | \$ (145,486) |
| Changes for the year: | | | |
| Service cost..... | 56,458 | - | 56,458 |
| Interest..... | 103,964 | - | 103,964 |
| Differences between expected and actual experience..... | (263,459) | - | (263,459) |
| Changes in assumptions and other inputs..... | 16,917 | - | 16,917 |
| Benefit payments..... | (82,626) | (82,626) | - |
| Net investment income..... | - | 306,385 | (306,385) |
| Contributions - employer..... | - | 256,042 | (256,042) |
| Net change..... | <u>(168,746)</u> | <u>479,801</u> | <u>(648,547)</u> |
| Balances December 31, 2020..... \$ | <u>1,415,550</u> | <u>\$ 2,209,583</u> | <u>\$ (794,033)</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of December 31, 2020, the GMELD recognized OPEB expense of \$14,525. At December 31, 2020, the GMELD reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources as follows:

| <u>Deferred Category</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Total</u> |
|--|---|--|---------------------|
| Differences between expected and actual experience..... \$ | 166,630 | \$ (218,269) | \$ (51,639) |
| Difference between projected and actual earnings, net..... | - | (178,083) | (178,083) |
| Changes in assumptions..... | 79,721 | - | 79,721 |
| Total deferred outflows/(inflows) of resources..... \$ | <u>246,351</u> | <u>\$ (396,352)</u> | <u>\$ (150,001)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:

| | | |
|------------|----|-------------------------|
| 2021..... | \$ | (26,617) |
| 2022..... | | (26,617) |
| 2023..... | | (59,744) |
| 2024..... | | (28,193) |
| 2025..... | | <u>(8,830)</u> |
| Total..... | \$ | <u><u>(150,001)</u></u> |

Changes of Assumptions:

- Assumption changes were made regarding trend, inflation and mortality.

Changes in Plan Provisions:

None.

NOTE 14 – COMMITMENTS

In 2021, the Town has authorized but not yet issued debt of \$26.5 million. Of this amount, \$21.3 million relates to Penn Brook School, \$3.4 million relates to the Middle/High School, \$1.8 million relates to energy updates, and \$400 relates to a dump truck.

The general fund has various commitments for goods and services related to encumbrances totaling \$21,730.

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2021, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

NOTE 16 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental activities and beginning fund balance of the nonmajor governmental funds have been revised to reflect the implementation of GASB Statement No. 84. To reflect this change, funds previously reported as agency funds within the Statement of Fiduciary Net Position have been reclassified to

nonmajor governmental special revenue funds within the governmental funds statements. The revised balances are summarized in the following table:

| | 6/30/2020 Previously Reported Balances | Revised for implementation of GASB #84 | 7/1/2020 Revised Balances |
|---|---|--|---------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Government-Wide Financial Statements | | | |
| Governmental activities..... | \$ 11,873,253 | \$ 47,404 | \$ 11,920,657 |
| | <u> </u> | <u> </u> | <u> </u> |
| Governmental Activities | | | |
| Nonmajor governmental funds.... | \$ 2,772,860 | \$ 47,404 | \$ 2,820,264 |
| | <u> </u> | <u> </u> | <u> </u> |

NOTE 17 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

On March 11, 2021, the United States Federal Government established the American Rescue Plan Act (ARPA) to enhance the United States’ recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to funding from the CARES Act and the ARPA Act, there are several other federal and state grants available.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2022, which is the date the financial statements were available to be issued.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in 2022.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | | | | | | Variance to Final Budget |
|---|---|---------------------|---------------------|---------------------|--------------------------------|--|-------------------|--------------------------------|
| | Amounts Carried Forward From Prior Year | Current Year | | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | | |
| | | Initial Budget | Original Budget | Final Budget | | | | |
| REVENUES: | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ - | \$ 22,229,069 | \$ 22,229,069 | \$ 22,229,069 | \$ 22,039,977 | \$ - | \$ (189,092) | |
| Tax liens..... | - | - | - | - | 12,698 | - | 12,698 | |
| Motor vehicle excise taxes..... | - | 1,621,424 | 1,621,424 | 1,621,424 | 1,592,248 | - | (29,176) | |
| Meals tax..... | - | 75,000 | 75,000 | 75,000 | 78,852 | - | 3,852 | |
| Cannabis excise tax..... | - | - | - | - | 78,547 | - | 78,547 | |
| Cannabis impact fee..... | - | 220,000 | 220,000 | 220,000 | 586,945 | - | 366,945 | |
| Penalties and interest on taxes..... | - | 76,343 | 76,343 | 76,343 | 50,609 | - | (25,734) | |
| Payments in lieu of taxes..... | - | 48,000 | 48,000 | 48,000 | 99,252 | - | 51,252 | |
| Intergovernmental - state aid..... | - | 6,486,246 | 6,486,246 | 6,486,246 | 6,491,930 | - | 5,684 | |
| Departmental and other..... | - | 1,022,382 | 1,022,382 | 1,022,382 | 1,006,147 | - | (16,235) | |
| Investment income..... | - | 30,000 | 30,000 | 30,000 | 6,028 | - | (23,972) | |
| TOTAL REVENUES..... | - | 31,808,464 | 31,808,464 | 31,808,464 | 32,043,233 | - | 234,769 | |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government..... | 25,516 | 1,970,799 | 1,996,315 | 2,001,305 | 1,897,586 | - | 103,719 | |
| Public safety..... | - | 2,640,052 | 2,640,052 | 2,708,392 | 2,602,387 | 3,442 | 102,563 | |
| Education..... | - | 16,901,358 | 16,901,358 | 16,910,293 | 16,910,293 | - | - | |
| Public works..... | 7,057 | 1,000,630 | 1,007,687 | 1,151,229 | 1,090,133 | 18,288 | 42,808 | |
| Human services..... | 25 | 408,295 | 408,320 | 408,320 | 366,794 | - | 41,526 | |
| Culture and recreation..... | - | 510,455 | 510,455 | 509,755 | 495,399 | - | 14,356 | |
| Pension benefits..... | - | 1,982,235 | 1,982,235 | 1,982,235 | 1,982,235 | - | - | |
| Property and liability insurance..... | - | 288,228 | 288,228 | 275,765 | 275,765 | - | - | |
| Employee benefits..... | 31,923 | 3,560,747 | 3,592,670 | 3,596,782 | 3,564,462 | - | 32,320 | |
| State and county charges..... | - | 408,271 | 408,271 | 414,559 | 414,559 | - | - | |
| Debt service: | | | | | | | | |
| Principal..... | - | 1,821,081 | 1,821,081 | 1,821,081 | 1,821,081 | - | - | |
| Interest..... | - | 965,969 | 965,969 | 965,969 | 965,793 | - | 176 | |
| TOTAL EXPENDITURES..... | 64,521 | 32,458,120 | 32,522,641 | 32,745,685 | 32,386,487 | 21,730 | 337,468 | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (64,521) | (649,656) | (714,177) | (937,221) | (343,254) | (21,730) | 572,237 | |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in..... | - | 467,807 | 467,807 | 467,807 | 467,807 | - | - | |
| Transfers out..... | - | - | - | (405,200) | (405,200) | - | - | |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | 467,807 | 467,807 | 62,607 | 62,607 | - | - | |
| NET CHANGE IN FUND BALANCE..... | (64,521) | (181,849) | (246,370) | (874,614) | (280,647) | (21,730) | 572,237 | |
| BUDGETARY FUND BALANCE, Beginning of year.. | - | 2,012,006 | 2,012,006 | 2,012,006 | 2,012,006 | - | - | |
| BUDGETARY FUND BALANCE, End of year..... | \$ (64,521) | \$ 1,830,157 | \$ 1,765,636 | \$ 1,137,392 | \$ 1,731,359 | \$ (21,730) | \$ 572,237 | |

See notes to required supplementary information.

Pension Plan Schedules

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

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

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

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

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

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

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2020..... | 5.134% | \$ 20,378,214 | \$ 7,958,644 | 256.05% | 59.73% |
| December 31, 2019..... | 4.878% | 20,553,835 | 7,668,229 | 268.04% | 55.46% |
| December 31, 2018..... | 4.871% | 20,577,898 | 6,599,842 | 311.79% | 51.89% |
| December 31, 2017..... | 5.144% | 19,358,316 | 6,333,757 | 305.64% | 55.40% |
| December 31, 2016..... | 5.165% | 19,901,512 | 6,776,013 | 293.71% | 51.12% |
| December 31, 2015..... | 4.979% | 18,092,138 | 6,505,666 | 278.10% | 51.01% |
| December 31, 2014..... | 4.986% | 16,916,706 | 6,238,036 | 271.19% | 52.27% |

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

Amounts presented include the Electric Light Department.

See notes to required supplementary information.

**SCHEDULE OF THE ELECTRIC LIGHT DEPARTMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM**

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2020..... | 0.572% | \$ 2,271,511 | \$ 887,389 | 255.98% | 59.73% |
| December 31, 2019..... | 0.514% | 2,166,061 | 808,114 | 268.04% | 55.46% |
| December 31, 2018..... | 0.547% | 2,311,584 | 741,382 | 311.79% | 51.89% |
| December 31, 2017..... | 0.578% | 2,174,584 | 711,410 | 305.67% | 55.40% |
| December 31, 2016..... | 0.571% | 2,199,342 | 748,824 | 293.71% | 51.12% |
| December 31, 2015..... | 0.499% | 1,693,150 | 624,427 | 271.15% | 52.27% |

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2021..... | \$ 1,773,338 | \$ (1,773,338) | - | \$ 8,117,817 | 21.85% |
| June 30, 2020..... | 1,585,270 | (1,585,270) | - | 7,821,594 | 20.27% |
| June 30, 2019..... | 1,512,554 | (1,512,554) | - | 6,731,839 | 22.47% |
| June 30, 2018..... | 1,484,110 | (1,484,110) | - | 6,460,432 | 22.97% |
| June 30, 2017..... | 1,404,059 | (1,404,059) | - | 6,911,533 | 20.31% |
| June 30, 2016..... | 1,281,911 | (1,281,911) | - | 6,635,779 | 19.32% |
| June 30, 2015..... | 1,197,672 | (1,197,672) | - | 6,362,797 | 18.82% |

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

Amounts presented exclude the Electric Light Department.

See notes to required supplementary information.

**SCHEDULE OF THE ELECTRIC LIGHT DEPARTMENT'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|------------------------|---|--|--|--------------------|---|
| December 31, 2020..... | \$ 220,955 | \$ (220,955) | - | \$ 887,389 | 24.90% |
| December 31, 2019..... | 186,743 | (186,743) | - | 808,114 | 23.11% |
| December 31, 2018..... | 191,412 | (191,412) | - | 741,382 | 25.82% |
| December 31, 2017..... | 187,813 | (187,813) | - | 711,410 | 26.40% |
| December 31, 2016..... | 172,636 | (172,636) | - | 748,824 | 23.05% |
| December 31, 2015..... | 133,204 | (133,204) | - | 624,427 | 21.33% |

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

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2021..... | \$ 40,537,309 | \$ 5,006,938 | 50.67% |
| 2020..... | 36,272,723 | 4,398,697 | 53.95% |
| 2019..... | 34,031,869 | 3,448,637 | 54.84% |
| 2018..... | 33,428,724 | 3,489,053 | 54.25% |
| 2017..... | 33,374,232 | 3,404,390 | 52.73% |
| 2016..... | 30,049,273 | 2,437,263 | 55.38% |
| 2015..... | 23,474,527 | 1,630,888 | 61.64% |

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

Town of Georgetown, exclusive of the Georgetown Municipal Electric Light Department

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

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

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

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

Georgetown Municipal Electric Light Department

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

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

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

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

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

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | |
| Service Cost..... | \$ 1,325,660 | \$ 1,338,305 | \$ 1,006,059 | \$ 1,646,775 | \$ 1,712,313 |
| Interest..... | 1,291,821 | 1,446,799 | 1,623,033 | 1,460,774 | 1,204,313 |
| Differences between expected and actual experience.... | - | - | (1,988,444) | (101,053) | 1,735,871 |
| Changes of assumptions..... | - | (1,174,385) | (1,878,118) | 9,238,364 | 13,842,163 |
| Benefit payments..... | (843,045) | (908,153) | (1,031,811) | (1,101,730) | (1,150,365) |
| Net change in total OPEB liability..... | 1,774,436 | 702,566 | (2,269,281) | 11,143,130 | 17,344,295 |
| Total OPEB liability - beginning..... | <u>29,487,211</u> | <u>31,261,647</u> | <u>31,964,213</u> | <u>29,694,932</u> | <u>40,838,062</u> |
| Total OPEB liability - ending (a)..... | <u>\$ 31,261,647</u> | <u>\$ 31,964,213</u> | <u>\$ 29,694,932</u> | <u>\$ 40,838,062</u> | <u>\$ 58,182,357</u> |
| Plan fiduciary net position | | | | | |
| Employer contributions..... | \$ 138,096 | \$ 138,096 | \$ 138,096 | \$ 371,110 | \$ 102,354 |
| Employer contributions for OPEB payments..... | 843,045 | 908,153 | 1,031,811 | 1,101,730 | 1,150,365 |
| Net investment income..... | 86,023 | 70,604 | 89,893 | 60,171 | 570,943 |
| Benefit payments..... | (843,045) | (908,153) | (1,031,811) | (1,101,730) | (1,150,365) |
| Net change in plan fiduciary net position..... | 224,119 | 208,700 | 227,989 | 431,281 | 673,297 |
| Plan fiduciary net position - beginning of year..... | <u>987,238</u> | <u>1,211,357</u> | <u>1,420,057</u> | <u>1,648,046</u> | <u>2,079,327</u> |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 1,211,357</u> | <u>\$ 1,420,057</u> | <u>\$ 1,648,046</u> | <u>\$ 2,079,327</u> | <u>\$ 2,752,624</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 30,050,290</u> | <u>\$ 30,544,156</u> | <u>\$ 28,046,886</u> | <u>\$ 38,758,735</u> | <u>\$ 55,429,733</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 3.87% | 4.44% | 5.55% | 5.09% | 4.73% |
| Covered-employee payroll..... | \$ 18,611,959 | \$ 19,745,428 | \$ 19,724,990 | \$ 20,316,740 | \$ 17,406,139 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 161.46% | 154.69% | 142.19% | 190.77% | 318.45% |

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2021..... | \$ 3,370,874 | \$ (1,200,365) | \$ 2,170,509 | \$ 17,406,139 | 6.90% |
| June 30, 2020..... | 3,566,622 | (1,276,730) | 2,289,892 | 20,316,740 | 6.28% |
| June 30, 2019..... | 2,736,941 | (1,169,907) | 1,567,034 | 19,724,990 | 5.93% |
| June 30, 2018..... | 3,103,709 | (908,153) | 2,195,556 | 19,745,428 | 4.60% |
| June 30, 2017..... | 2,954,975 | (983,045) | 1,971,930 | 18,611,959 | 5.28% |

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| Year | Annual money-weighted rate of return, net of investment expense |
|--------------------|---|
| June 30, 2021..... | 22.08% |
| June 30, 2020..... | 1.54% |
| June 30, 2019..... | 6.06% |
| June 30, 2018..... | 5.54% |
| June 30, 2017..... | 8.20% |

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

See notes to required supplementary information.

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

| | December 31, 2017 | December 31, 2018 | December 31, 2019 | December 31, 2020 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Service Cost..... | \$ 62,917 | \$ 66,063 | \$ 59,672 | \$ 56,458 |
| Interest..... | 74,057 | 77,080 | 104,750 | 103,964 |
| Changes of benefit terms..... | - | - | (80,568) | - |
| Differences between expected and actual experience... | - | 277,471 | - | (263,459) |
| Changes of assumptions..... | - | 109,413 | - | 16,917 |
| Benefit payments..... | <u>(94,197)</u> | <u>(93,019)</u> | <u>(102,863)</u> | <u>(82,626)</u> |
| Net change in total OPEB liability..... | 42,777 | 437,008 | (19,009) | (168,746) |
| Total OPEB liability - beginning..... | <u>1,123,520</u> | <u>1,166,297</u> | <u>1,603,305</u> | <u>1,584,296</u> |
| Total OPEB liability - ending (a)..... | <u>\$ 1,166,297</u> | <u>\$ 1,603,305</u> | <u>1,584,296</u> | <u>1,415,550</u> |
| Plan fiduciary net position | | | | |
| Employer contributions..... | \$ 232,293 | \$ 231,115 | 240,959 | 256,042 |
| Net investment income..... | 133,387 | (78,197) | 249,095 | 306,385 |
| Benefit payments..... | <u>(94,197)</u> | <u>(93,019)</u> | <u>(102,863)</u> | <u>(82,626)</u> |
| Net change in plan fiduciary net position..... | 271,483 | 59,899 | 387,191 | 479,801 |
| Plan fiduciary net position - beginning of year..... | <u>1,011,209</u> | <u>1,282,692</u> | <u>1,342,591</u> | <u>1,729,782</u> |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 1,282,692</u> | <u>\$ 1,342,591</u> | <u>\$ 1,729,782</u> | <u>\$ 2,209,583</u> |
| Net OPEB liability (asset) - ending (a)-(b)..... | <u>\$ (116,395)</u> | <u>\$ 260,714</u> | <u>\$ (145,486)</u> | <u>\$ (794,033)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 109.98% | 83.74% | 109.18% | 156.09% |
| Covered-employee payroll..... | \$ 726,658 | \$ 786,467 | \$ 826,525 | \$ 789,624 |
| Net OPEB liability as a percentage of covered-employee payroll..... | -16.02% | 33.15% | -17.60% | -100.56% |

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

See notes to required supplementary information.

**SCHEDULE OF THE ELECTRIC LIGHT DEPARTMENT'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| | December 31, 2017 | December 31, 2018 | December 31, 2019 | December 31, 2020 |
|---|----------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution..... | \$ 76,545 | *** | \$ 86,651 | \$ *** |
| Contributions relating to the actuarially determined contribution..... | <u>232,293</u> | <u>231,115</u> | <u>240,959</u> | <u>256,042</u> |
| Contributions deficiency (excess)..... | \$ <u>(155,748)</u> | \$ <u>(231,115)</u> | \$ <u>(240,959)</u> | \$ <u>(256,042)</u> |
| Covered payroll..... | \$ 726,658 | \$ 786,467 | \$ 826,525 | \$ 789,624 |
| Contributions as a percent of covered payroll..... | 31.97% | 29.39% | 29.15% | 32.43% |

*** An actuarially determined contribution was not required in these years because the OPEB trust was over funded in the prior valuation.

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

See notes to required supplementary information.

**SCHEDULE OF THE ELECTRIC LIGHT
DEPARTMENT'S INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|------------------------|--|
| December 31, 2020..... | 16.71% |
| December 31, 2019..... | 17.74% |
| December 31, 2018..... | -5.81% |
| December 31, 2017..... | 12.43% |

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

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance and Advisory Board present an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

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

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2021 budget includes \$32.5 million in appropriations and other amounts to be raised and \$65,000 in encumbrances and appropriations carried over from previous years. During 2021, Town Meeting approved supplemental appropriations totaling \$628,000.

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

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2021, is as follows:

| | | |
|--|----|--------------------|
| Net change in fund balance - budgetary basis..... | \$ | (280,647) |
| <u>Perspective differences:</u> | | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | | 443,486 |
| <u>Basis of accounting differences:</u> | | |
| Net change in recording 60 day receipts..... | | 207,270 |
| Net change in the recognition of revenue..... | | (24,923) |
| Recognition of revenue for on-behalf payments..... | | 5,006,938 |
| Recognition of expenditures for on-behalf payments..... | | <u>(5,006,938)</u> |
| Net change in fund balance - GAAP basis..... | \$ | <u>345,186</u> |

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

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

B. Schedule of the Town’s Contributions

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

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth’s 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan’s fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

Town – None.

Electric Light Department – None.

E. Changes in Plan Provisions

Town – None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

The Other Postemployment Benefit Plan

A. The Schedules of Changes in the Town's and the Electric Light Department's Net Other Postemployment Benefit Liability and Related Ratios

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

B. Schedules of the Town's and the Electric Light Department's Contributions

The Schedules of the Town's and Electric Light Department's Contributions includes the Town's and Electric Light Department's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Town and the Electric Light Department are not required to fully fund this contribution. It also demonstrates the contributions as a percentage of the covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30 and December 31, two years prior to the end of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates are contained in the following tables for the Town as of June 30, 2021 and for the Electric Light Department as of December 31, 2020, as follows:

Town

| | |
|--------------------------------------|--|
| Valuation date..... | July 1, 2020 |
| Actuarial cost method..... | Individual entry age normal. |
| Asset valuation method..... | Market value of assets as of the measurement date, June 30, 2021. |
| Investment rate of return..... | 6.04%, net of OPEB plan investment expense, including inflation. |
| Municipal bond rate..... | 2.18% as of June 30, 2021 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG). |
| Single equivalent discount rate..... | 2.25%, net of OPEB plan investment expense, including inflation. |
| Inflation..... | 2.50% as of June 30, 2021, and for future periods. |
| Salary increases..... | 3.00% annually as of June 30, 2021, and for future periods. |
| Pre-retirement mortality..... | General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females, set forward one year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2016 for males and females. |

| | |
|--------------------------------|--|
| Post-retirement mortality..... | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward one year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females. |
| Disabled mortality..... | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward one year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females. |

Electric Light Department

| | |
|--|---|
| Valuation date..... | January 1, 2020 |
| Actuarial cost method..... | Individual entry age normal. |
| Inflation..... | 2.40% annually. |
| Investment rate of return..... | 6.50%, net of OPEB plan investment expense, including inflation. |
| Salary increases..... | 3.50% annually. |
| Health cost trend rates..... | 7.00% decreasing to 5.20%. |
| Post and Pre-Retirement Mortality..... | RP-2014 Healthy Annuitant Mortality Table, projected with generational mortality improvement using Scale MP-2019. |

C. Schedule of Investment Returns

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

D. Changes in Assumptions

Town – The discount rate was changed from 3.00% to 2.25%, the methodology for calculating expected claims was updated, and the Getzen model was adopted to project future healthcare costs.

Electric Light Department – Assumption changes were made regarding trend, inflation and mortality.

E. Changes in Plan Provisions

Town – None.

Electric Light Department – None