

**TOWN OF GROVELAND, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

TOWN OF GROVELAND, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Groveland, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements as listed in the table of contents.

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

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Groveland Municipal Light Department as of December 31, 2019, which is both a major fund and 57%, 64%, and 77%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Groveland Municipal Light Department, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of June 30, 2020 (except for the Groveland Municipal Light Department which is as of and for the year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the Town of Groveland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Groveland, Massachusetts' internal control over financial reporting and compliance.



March 23, 2021

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Groveland, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, health and human services, culture and recreation, COVID-19, and interest. The business-type activities include the water, sewer, and electric light activities.

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

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

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

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

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

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

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

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

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

### ***Financial Highlights***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Groveland's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30.4 million for both governmental activities and business-type activities at the close of the most recent year. Key components of the Town's activities are presented on the following page.

**Governmental Activities**

	2020	2019
<b>Assets:</b>		
Current assets.....	\$ 9,509,701	\$ 9,081,925
Capital assets, non depreciable.....	9,796,039	9,796,039
Capital assets, net of accumulated depreciation....	16,783,989	17,209,053
<b>Total assets.....</b>	<b>36,089,729</b>	<b>36,087,017</b>
<b>Deferred outflows of resources.....</b>	<b>1,077,792</b>	<b>736,618</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	365,497	351,972
Noncurrent liabilities (excluding debt).....	10,970,399	10,516,176
Current debt.....	782,420	774,712
Noncurrent debt.....	8,183,143	8,710,393
<b>Total liabilities.....</b>	<b>20,301,459</b>	<b>20,353,253</b>
<b>Deferred inflows of resources.....</b>	<b>1,089,228</b>	<b>635,890</b>
<b>Net position:</b>		
Net investment in capital assets.....	17,614,465	17,519,987
Restricted.....	4,490,900	3,653,087
Unrestricted.....	(6,328,531)	(5,338,582)
<b>Total net position.....</b>	<b>\$ 15,776,834</b>	<b>\$ 15,834,492</b>

Governmental net position of \$17.6 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$4.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$6.3 million. The primary reason for this deficit balance is the recognition of the \$4.6 million net OPEB liability and the \$6.3 million net pension liability.



Governmental activities decreased the Town's net position by \$58,000 during 2020 as compared to an increase of \$781,000 in 2019. Overall, expenses increased 6.0% from the prior year while revenues increased by 1.0%. The increases to expenses were mainly attributable to OPEB, pension, and other employee benefits.

	2020	2019
<b>Program Revenues:</b>		
Charges for services.....	\$ 448,529	\$ 680,615
Operating grants and contributions.....	343,595	379,136
Capital grants and contributions.....	561,177	376,439
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	15,016,369	14,505,705
Motor vehicle and other excise taxes.....	942,320	1,119,595
Community preservation tax.....	340,983	325,858
Penalties and interest on taxes.....	47,311	79,637
Payments in lieu of taxes.....	41,792	1,735
Grants and contributions not restricted to specific programs.....	982,523	1,021,697
Unrestricted investment income.....	107,981	118,098
<b>Total revenues.....</b>	<b>18,832,580</b>	<b>18,608,515</b>
<b>Expenses:</b>		
General government.....	1,590,179	1,318,030
Public safety.....	3,221,103	2,624,156
Education.....	10,849,969	10,643,551
Public works.....	2,042,906	2,046,823
Community development.....	89,200	131,510
Health and human services.....	408,628	358,754
Culture and recreation.....	594,904	626,887
COVID-19.....	19,157	-
Interest.....	109,192	112,977
<b>Total expenses.....</b>	<b>18,925,238</b>	<b>17,862,688</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(92,658)</b>	<b>745,827</b>
<b>Transfers.....</b>	<b>35,000</b>	<b>35,000</b>
<b>Change in net position.....</b>	<b>(57,658)</b>	<b>780,827</b>
<b>Net position, beginning of year.....</b>	<b>15,834,492</b>	<b>15,053,665</b>
<b>Net position, end of year.....</b>	<b>\$ 15,776,834</b>	<b>\$ 15,834,492</b>

### **Business-type Activities**

The Town's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14.6 million at year end, an increase of \$1.0 million from the prior year. The water, sewer, and electric light department's change in net position each amounted to increases of \$387,000, \$68,000, and \$562,000, respectively, during 2020.

### **Water Activities**

Water business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3.5 million at the close of 2020. Net investment in capital assets was \$3.6 million and unrestricted net position had a deficit balance of (\$70,000). Net position increased during 2020 by \$387,000 compared to a decrease of \$88,000 in the prior year. The increase in net position is mainly attributable to a decrease in the water department's allocated portion of OPEB expenses.

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets.....	\$ 914,017	\$ 699,748
Capital assets, non depreciable.....	478,753	478,753
Capital assets, net of accumulated depreciation....	<u>5,767,679</u>	<u>5,954,413</u>
<b>Total assets.....</b>	<b><u>7,160,449</u></b>	<b><u>7,132,914</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>105,504</u></b>	<b><u>89,308</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	36,838	33,395
Noncurrent liabilities (excluding debt).....	977,229	955,953
Current debt.....	205,000	190,000
Noncurrent debt.....	<u>2,480,000</u>	<u>2,685,000</u>
<b>Total liabilities.....</b>	<b><u>3,699,067</u></b>	<b><u>3,864,348</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>75,017</u></b>	<b><u>252,979</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	3,561,432	3,558,166
Unrestricted.....	<u>(69,563)</u>	<u>(453,271)</u>
<b>Total net position.....</b>	<b><u>\$ 3,491,869</u></b>	<b><u>\$ 3,104,895</u></b>
	<u>2020</u>	<u>2019</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 1,127,957	\$ 1,021,908
<b>Expenses:</b>		
Water.....	<u>740,983</u>	<u>1,109,823</u>
<b>Change in net position.....</b>	<b><u>386,974</u></b>	<b><u>(87,915)</u></b>
<b>Net position, beginning of year.....</b>	<b><u>3,104,895</u></b>	<b><u>3,192,810</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ 3,491,869</u></b>	<b><u>\$ 3,104,895</u></b>

**Sewer Activities**

Sewer business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.8 million at the close of 2020. Net investment in capital assets was \$1.5 million and unrestricted net position was \$294,000. Net position increased during 2020 by \$68,000 compared to a decrease of \$88,000 in the prior year. The increase in net position is mainly attributable to a decrease in the sewer department's allocated portion of OPEB expenses.

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets.....	\$ 643,122	\$ 602,447
Noncurrent assets (excluding capital).....	132,125	154,884
Capital assets, non depreciable.....	255,004	255,004
Capital assets, net of accumulated depreciati.....	1,831,195	1,967,783
<b>Total assets.....</b>	<b><u>2,861,446</u></b>	<b><u>2,980,118</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>52,752</u></b>	<b><u>44,654</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	11,599	66,861
Noncurrent liabilities (excluding debt).....	484,826	474,076
Current debt.....	45,000	45,000
Noncurrent debt.....	565,000	610,000
<b>Total liabilities.....</b>	<b><u>1,106,425</u></b>	<b><u>1,195,937</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>37,508</u></b>	<b><u>126,491</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	1,476,199	1,567,787
Unrestricted.....	294,066	134,557
<b>Total net position.....</b>	<b><u>\$ 1,770,265</u></b>	<b><u>\$ 1,702,344</u></b>
	<u>2020</u>	<u>2019</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 548,738	\$ 536,139
<b>Expenses:</b>		
Sewer.....	480,817	623,769
<b>Change in net position.....</b>	<b>67,921</b>	<b>(87,630)</b>
<b>Net position, beginning of year.....</b>	<b><u>1,702,344</u></b>	<b><u>1,789,974</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ 1,770,265</u></b>	<b><u>\$ 1,702,344</u></b>

## Electric Light Activities

Electric light business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9.3 million at the close of calendar year 2019. Net investment in capital assets was \$7.5 million and unrestricted net position was \$1.8 million. Net position increased during calendar year 2019 by \$562,000 compared to a decrease of \$456,000 in the prior year. This was mainly attributable to net investment income of \$424,000 and a reduction of power supply costs.

	December 31, 2019	December 31, 2018
<b>Assets:</b>		
Current assets.....	\$ 5,654,337	\$ 5,497,631
Capital assets, non depreciable.....	454,200	454,200
Capital assets, net of accumulated deprecial	7,011,706	7,028,667
<b>Total assets.....</b>	<b>13,120,243</b>	<b>12,980,498</b>
<b>Deferred outflows of resources.....</b>	<b>245,523</b>	<b>110,452</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	795,548	1,061,106
Noncurrent liabilities (excluding debt).....	2,781,814	2,739,139
<b>Total liabilities.....</b>	<b>3,577,362</b>	<b>3,800,245</b>
<b>Deferred inflows of resources.....</b>	<b>472,070</b>	<b>536,850</b>
<b>Net position:</b>		
Net investment in capital assets.....	7,465,906	7,482,867
Unrestricted.....	1,850,428	1,270,988
<b>Total net position.....</b>	<b>\$ 9,316,334</b>	<b>\$ 8,753,855</b>

	December 31, 2019	December 31, 2018
<b>Program Revenues:</b>		
Charges for services.....	\$ 5,757,033	\$ 5,862,931
<b>General Revenues:</b>		
Unrestricted investment income (loss).....	423,993	(155,922)
<b>Total revenues.....</b>	<b>6,181,026</b>	<b>5,707,009</b>
<b>Expenses:</b>		
Electric Light.....	5,583,547	6,127,640
<b>Excess (Deficiency) before transfers.....</b>	<b>597,479</b>	<b>(420,631)</b>
<b>Transfers.....</b>	<b>(35,000)</b>	<b>(35,000)</b>
<b>Change in net position.....</b>	<b>562,479</b>	<b>(455,631)</b>
<b>Net position, beginning of year.....</b>	<b>8,753,855</b>	<b>9,209,486</b>
<b>Net position, end of year.....</b>	<b>\$ 9,316,334</b>	<b>\$ 8,753,855</b>

## ***Financial Analysis of the Government's Major Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$8.0 million, an increase of \$245,000 from the prior year.

### ***General Fund***

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$3.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance both represent approximately 18% of total general fund expenditures.

The general fund increased by \$41,000 during 2020. This was the result of a \$160,000 increase in the Town's stabilization funds and a \$12,000 increase from the recognition of real estate and personal property tax revenue received within the 60 days of year-end. These increases were offset by a net budgetary loss totaling \$131,000.

### ***Community Preservation Major Fund***

The Community Preservation fund had an ending fund balance at June 30, 2020, of \$3.3 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching State grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historical resources, land for recreational use and community housing. Revenues exceeded expenditures by \$261,000 during the current year. This is essentially the same result as the previous year.

The nonmajor governmental funds experienced a decrease of \$57,000 in the current year, which was due to timing differences between the receipts and expenditures of grant funds.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides funding to assist communities in paying costs incurred between March 1, 2020, and December 31, 2021, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion, which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. As of June 30, 2020, the Town has spent approximately \$19,000. The Town has received federal funding in 2020 totaling \$82,000. Therefore, unearned revenue totaling \$63,000 has been recorded on the Town's financial statements and will be recognized as the expenditures are incurred (see Note 16 for further details).

## ***General Fund Budgetary Highlights***

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

The original 2020 approved budget authorized \$17.9 million in appropriations and other amounts to be raised, along with \$6,000 of prior year carryforwards.

Actual revenues were less than budget by \$237,000 and actual expenditures (including carryovers) were less than budgeted amounts by \$488,000.

### ***Capital Asset and Debt Administration***

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

During 2020, the Town expended \$614,000 on governmental activities capital assets mainly consisting of various infrastructure purchases. The business-type activities expended approximately \$290,000 consisting of additions to the electric light department.

Outstanding long-term debt of the governmental activities, as of June 30, 2020, totaled \$3.5 million. The decrease over the prior year is attributable to scheduled principal payments.

Outstanding long-term debt of the business type activities, as of June 30, 2020, totaled \$3.3 million, of which \$610,000 relates to sewer projects and \$2.7 million relates to water projects. The decrease over the prior year is attributable to scheduled principal payments.

The Town has also recorded a liability of \$5.2 million in capital assessments payable to Pentucket Regional School District associated with the construction and renovation of the Bagnall School.

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

### ***Requests for Information***

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

# ***Basic Financial Statements***

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## STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 7,419,016	\$ 949,962	\$ 8,368,978
Restricted cash and cash equivalents.....	-	89,317	89,317
Investments.....	1,041,359	3,871,080	4,912,439
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	63,196	-	63,196
Tax liens.....	652,702	-	652,702
Community preservation fund surtax.....	1,120	-	1,120
Motor vehicle and other excise taxes.....	68,914	-	68,914
User charges.....	-	1,345,069	1,345,069
Intergovernmental.....	39,164	-	39,164
Community preservation state share.....	224,230	-	224,230
Special assessments.....	-	17,739	17,739
Inventory.....	-	129,915	129,915
Prepaid expenses.....	-	808,394	808,394
Total current assets.....	<u>9,509,701</u>	<u>7,211,476</u>	<u>16,721,177</u>
<b>NONCURRENT:</b>			
Special assessments.....	-	132,125	132,125
Capital assets, nondepreciable.....	9,796,039	1,187,957	10,983,996
Capital assets, net of accumulated depreciation.....	<u>16,783,989</u>	<u>14,610,580</u>	<u>31,394,569</u>
Total noncurrent assets.....	<u>26,580,028</u>	<u>15,930,662</u>	<u>42,510,690</u>
TOTAL ASSETS.....	<u>36,089,729</u>	<u>23,142,138</u>	<u>59,231,867</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	748,535	381,621	1,130,156
Deferred outflows related to other postemployment benefits.....	<u>329,257</u>	<u>22,158</u>	<u>351,415</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,077,792</u>	<u>403,779</u>	<u>1,481,571</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	145,638	694,046	839,684
Accrued payroll.....	112,717	10,923	123,640
Accrued interest.....	4,532	28,607	33,139
Customer deposits payable.....	-	105,784	105,784
Unearned revenue.....	63,260	-	63,260
Capital assessment payable.....	289,139	-	289,139
Capital lease obligations.....	35,077	-	35,077
Compensated absences.....	39,350	4,625	43,975
Notes payable.....	181,685	-	181,685
Bonds payable.....	<u>276,519</u>	<u>250,000</u>	<u>526,519</u>
Total current liabilities.....	<u>1,147,917</u>	<u>1,093,985</u>	<u>2,241,902</u>
<b>NONCURRENT:</b>			
Capital assessment payable.....	4,937,722	-	4,937,722
Capital lease obligations.....	35,424	-	35,424
Compensated absences.....	118,050	13,875	131,925
Net pension liability.....	6,268,353	3,206,381	9,474,734
Net other postemployment benefits liability.....	4,583,996	1,023,613	5,607,609
Bonds payable.....	<u>3,209,997</u>	<u>3,045,000</u>	<u>6,254,997</u>
Total noncurrent liabilities.....	<u>19,153,542</u>	<u>7,288,869</u>	<u>26,442,411</u>
TOTAL LIABILITIES.....	<u>20,301,459</u>	<u>8,382,854</u>	<u>28,684,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	342,506	137,083	479,589
Deferred inflows related to other postemployment benefits.....	<u>746,722</u>	<u>447,512</u>	<u>1,194,234</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,089,228</u>	<u>584,595</u>	<u>1,673,823</u>
<b>NET POSITION</b>			
Net investment in capital assets.....	17,614,465	12,503,537	30,118,002
Restricted for:			
Permanent funds:			
Nonexpendable.....	433,018	-	433,018
Gifts and grants.....	568,674	-	568,674
Community preservation.....	3,489,208	-	3,489,208
Unrestricted.....	<u>(6,328,531)</u>	<u>2,074,931</u>	<u>(4,253,600)</u>
TOTAL NET POSITION.....	<u>\$ 15,776,834</u>	<u>\$ 14,578,468</u>	<u>\$ 30,355,302</u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 1,590,179	\$ 237,400	\$ 180,018	\$ 12,616	\$ (1,160,145)
Public safety.....	3,221,103	186,301	52,362	-	(2,982,440)
Education.....	10,849,969	-	-	-	(10,849,969)
Public works.....	2,042,906	8,513	10,800	249,944	(1,773,649)
Community development.....	89,200	-	-	298,617	209,417
Health and human services.....	408,628	16,315	23,388	-	(368,925)
Culture and recreation.....	594,904	-	57,870	-	(537,034)
COVID-19.....	19,157	-	19,157	-	-
Interest.....	109,192	-	-	-	(109,192)
<b>Total Governmental Activities.....</b>	<b>18,925,238</b>	<b>448,529</b>	<b>343,595</b>	<b>561,177</b>	<b>(17,571,937)</b>
<i>Business-Type Activities:</i>					
Water.....	740,983	1,127,957	-	-	386,974
Sewer.....	480,817	548,738	-	-	67,921
Electric Light.....	5,583,547	5,757,033	-	-	173,486
<b>Total Business-Type Activities.....</b>	<b>6,805,347</b>	<b>7,433,728</b>	<b>-</b>	<b>-</b>	<b>628,381</b>
<b>Total Primary Government.....</b>	<b>\$ 25,730,585</b>	<b>\$ 7,882,257</b>	<b>\$ 343,595</b>	<b>\$ 561,177</b>	<b>\$ (16,943,556)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(17,571,937)</b>	\$ <b>628,381</b>	\$ <b>(16,943,556)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	14,881,984	-	14,881,984
Tax and other liens.....	134,385	-	134,385
Motor vehicle and other excise taxes.....	942,320	-	942,320
Community preservation tax.....	340,983	-	340,983
Penalties and interest on taxes.....	47,311	-	47,311
Payments in lieu of taxes.....	41,792	-	41,792
Grants and contributions not restricted to specific programs.....	982,523	-	982,523
Unrestricted investment income.....	107,981	423,993	531,974
<i>Transfers, net</i> .....	35,000	(35,000)	-
Total general revenues and transfers.....	<u>17,514,279</u>	<u>388,993</u>	<u>17,903,272</u>
Change in net position.....	(57,658)	1,017,374	959,716
<i>Net position:</i>			
Beginning of year.....	<u>15,834,492</u>	<u>13,561,094</u>	<u>29,395,586</u>
End of year..... \$	<u><u>15,776,834</u></u>	\$ <u><u>14,578,468</u></u>	\$ <u><u>30,355,302</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 2,625,194	\$ 3,268,270	\$ 1,525,552	\$ 7,419,016
Investments.....	697,095	-	344,264	1,041,359
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	63,196	-	-	63,196
Tax liens.....	652,702	-	-	652,702
Community preservation fund surtax.....	-	1,120	-	1,120
Motor vehicle and other excise taxes.....	68,914	-	-	68,914
Intergovernmental.....	-	-	39,164	39,164
Community preservation state share.....	-	224,230	-	224,230
<b>TOTAL ASSETS.....</b>	<b>\$ 4,107,101</b>	<b>\$ 3,493,620</b>	<b>\$ 1,908,980</b>	<b>\$ 9,509,701</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 100,998	\$ 3,649	\$ 40,991	\$ 145,638
Accrued payroll.....	108,532	763	3,422	112,717
Unearned revenue.....	-	-	63,260	63,260
Notes payable.....	-	-	181,685	181,685
<b>TOTAL LIABILITIES.....</b>	<b>209,530</b>	<b>4,412</b>	<b>289,358</b>	<b>503,300</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	752,723	225,350	1,993	980,066
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	433,018	433,018
Restricted.....	-	3,263,858	1,366,191	4,630,049
Assigned.....	722,235	-	-	722,235
Unassigned.....	2,422,613	-	(181,580)	2,241,033
<b>TOTAL FUND BALANCES.....</b>	<b>3,144,848</b>	<b>3,263,858</b>	<b>1,617,629</b>	<b>8,026,335</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 4,107,101</b>	<b>\$ 3,493,620</b>	<b>\$ 1,908,980</b>	<b>\$ 9,509,701</b>

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....		\$ 8,026,335
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		26,580,028
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		980,066
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.....		(11,436)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(4,532)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(3,486,516)	
Net pension liability.....	(6,268,353)	
Net other postemployment benefits liability.....	(4,583,996)	
Capital lease obligations.....	(70,501)	
Compensated absences.....	(157,400)	
Capital assessment payable.....	<u>(5,226,861)</u>	
Net effect of reporting long-term liabilities.....		<u>(19,793,627)</u>
Net position of governmental activities.....		<u>\$ 15,776,834</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 14,866,916	\$ -	\$ -	\$ 14,866,916
Tax liens.....	54,412	-	-	54,412
Motor vehicle and other excise taxes.....	967,070	-	-	967,070
Penalties and interest on taxes.....	47,311	-	-	47,311
Payments in lieu of taxes.....	41,792	-	-	41,792
Intergovernmental.....	977,523	177,918	302,591	1,458,032
Intergovernmental - COVID-19 relief.....	-	-	19,157	19,157
Departmental and other.....	283,539	-	294,171	577,710
Community preservation taxes.....	-	340,983	-	340,983
Contributions and donations.....	-	-	171,565	171,565
Investment income.....	50,877	57,104	-	107,981
<b>TOTAL REVENUES.....</b>	<b>17,289,440</b>	<b>576,005</b>	<b>787,484</b>	<b>18,652,929</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	850,592	-	365,709	1,216,301
Public safety.....	1,880,668	-	71,085	1,951,753
Education.....	10,786,723	-	-	10,786,723
Public works.....	1,418,752	-	295,113	1,713,865
Community development.....	-	314,563	-	314,563
Health and human services.....	213,758	-	23,420	237,178
Culture and recreation.....	264,640	-	128,893	393,533
COVID-19.....	-	-	19,157	19,157
Pension benefits.....	533,480	-	-	533,480
Property and liability insurance.....	182,236	-	-	182,236
Employee benefits.....	614,172	-	-	614,172
State and county charges.....	93,161	-	-	93,161
Debt service:				
Principal.....	265,000	-	-	265,000
Interest.....	122,032	-	-	122,032
<b>TOTAL EXPENDITURES.....</b>	<b>17,225,214</b>	<b>314,563</b>	<b>903,377</b>	<b>18,443,154</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>64,226</b>	<b>261,442</b>	<b>(115,893)</b>	<b>209,775</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	61,284	-	85,000	146,284
Transfers out.....	(85,000)	-	(26,284)	(111,284)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(23,716)</b>	<b>-</b>	<b>58,716</b>	<b>35,000</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>40,510</b>	<b>261,442</b>	<b>(57,177)</b>	<b>244,775</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,104,338</b>	<b>3,002,416</b>	<b>1,674,806</b>	<b>7,781,560</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,144,848</b>	<b>\$ 3,263,858</b>	<b>\$ 1,617,629</b>	<b>\$ 8,026,335</b>

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, 2020

Net change in fund balances - total governmental funds.....	\$	244,775
<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.....	613,556	
Depreciation expense.....	<u>(1,038,620)</u>	
Net effect of reporting capital assets.....		(425,064)
<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>		
		179,651
<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.....	32,077	
Amortization of premium on bonds.....	12,465	
Capital assessment payments.....	210,000	
Debt service principal payments.....	<u>265,000</u>	
Net effect of reporting long-term debt.....		519,542
<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.....	(42,200)	
Net change in accrued interest on long-term debt.....	375	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(106,112)	
Net change in net pension liability.....	(68,310)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits liability.....	(6,052)	
Net change in net other postemployment benefits liability.....	<u>(354,263)</u>	
Net effect of recording long-term liabilities.....		<u>(576,562)</u>
Change in net position of governmental activities.....	\$	<u>(57,658)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2019	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 509,985	\$ 439,977	\$ -	\$ 949,962
Restricted cash and cash equivalents.....	-	-	89,317	89,317
Investments.....	-	-	3,871,080	3,871,080
Receivables, net of allowance for uncollectibles:				
User charges.....	404,032	185,406	755,631	1,345,069
Special assessments.....	-	17,739	-	17,739
Inventory.....	-	-	129,915	129,915
Prepaid expenses.....	-	-	808,394	808,394
Total current assets.....	<u>914,017</u>	<u>643,122</u>	<u>5,654,337</u>	<u>7,211,476</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	132,125	-	132,125
Capital assets, non depreciable.....	478,753	255,004	454,200	1,187,957
Capital assets, net of accumulated depreciation.....	<u>5,767,679</u>	<u>1,831,195</u>	<u>7,011,706</u>	<u>14,610,580</u>
Total noncurrent assets.....	<u>6,246,432</u>	<u>2,218,324</u>	<u>7,465,906</u>	<u>15,930,662</u>
<b>TOTAL ASSETS.....</b>	<u><b>7,160,449</b></u>	<u><b>2,861,446</b></u>	<u><b>13,120,243</b></u>	<u><b>23,142,138</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions.....	90,732	45,366	245,523	381,621
Deferred outflows related to other postemployment benefits.....	<u>14,772</u>	<u>7,386</u>	<u>-</u>	<u>22,158</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<u><b>105,504</b></u>	<u><b>52,752</b></u>	<u><b>245,523</b></u>	<u><b>403,779</b></u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	3,937	345	689,764	694,046
Accrued payroll.....	7,646	3,277	-	10,923
Customer deposits payable.....	-	-	105,784	105,784
Accrued interest.....	21,330	7,277	-	28,607
Compensated absences.....	3,925	700	-	4,625
Bonds payable.....	<u>205,000</u>	<u>45,000</u>	<u>-</u>	<u>250,000</u>
Total current liabilities.....	<u>241,838</u>	<u>56,599</u>	<u>795,548</u>	<u>1,093,985</u>
<b>NONCURRENT:</b>				
Compensated absences.....	11,775	2,100	-	13,875
Net pension liability.....	759,800	379,900	2,066,681	3,206,381
Net other postemployment benefits liability.....	205,654	102,826	715,133	1,023,613
Bonds payable.....	<u>2,480,000</u>	<u>565,000</u>	<u>-</u>	<u>3,045,000</u>
Total noncurrent liabilities.....	<u>3,457,229</u>	<u>1,049,826</u>	<u>2,781,814</u>	<u>7,288,869</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>3,699,067</b></u>	<u><b>1,106,425</b></u>	<u><b>3,577,362</b></u>	<u><b>8,382,854</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions.....	41,516	20,758	74,809	137,083
Deferred inflows related to other postemployment benefits.....	<u>33,501</u>	<u>16,750</u>	<u>397,261</u>	<u>447,512</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u><b>75,017</b></u>	<u><b>37,508</b></u>	<u><b>472,070</b></u>	<u><b>584,595</b></u>
<b>NET POSITION</b>				
Net investment in capital assets.....	3,561,432	1,476,199	7,465,906	12,503,537
Unrestricted.....	<u>(69,563)</u>	<u>294,066</u>	<u>1,850,428</u>	<u>2,074,931</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 3,491,869</b></u>	<u><b>\$ 1,770,265</b></u>	<u><b>\$ 9,316,334</b></u>	<u><b>\$ 14,578,468</b></u>

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2019	Total
<b>OPERATING REVENUES:</b>				
Charges for services.....	\$ 1,127,957	\$ 548,738	\$ 5,651,244	\$ 7,327,939
Other operating revenues.....	-	-	105,789	105,789
<b>TOTAL OPERATING REVENUES .....</b>	<b>1,127,957</b>	<b>548,738</b>	<b>5,757,033</b>	<b>7,433,728</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration.....	138,573	169,694	412,406	720,673
Salaries and wages.....	332,445	154,927	775,702	1,263,074
Purchased power and production.....	-	-	4,088,432	4,088,432
Depreciation.....	186,734	136,588	307,007	630,329
<b>TOTAL OPERATING EXPENSES.....</b>	<b>657,752</b>	<b>461,209</b>	<b>5,583,547</b>	<b>6,702,508</b>
<b>OPERATING INCOME.....</b>	<b>470,205</b>	<b>87,529</b>	<b>173,486</b>	<b>731,220</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	-	-	423,993	423,993
Interest expense.....	(83,231)	(19,608)	-	(102,839)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(83,231)</b>	<b>(19,608)</b>	<b>423,993</b>	<b>321,154</b>
<b>INCOME BEFORE TRANSFERS.....</b>	<b>386,974</b>	<b>67,921</b>	<b>597,479</b>	<b>1,052,374</b>
<b>TRANSFERS:</b>				
Transfers out.....	-	-	(35,000)	(35,000)
<b>CHANGE IN NET POSITION.....</b>	<b>386,974</b>	<b>67,921</b>	<b>562,479</b>	<b>1,017,374</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>3,104,895</b>	<b>1,702,344</b>	<b>8,753,855</b>	<b>13,561,094</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 3,491,869</b>	<b>\$ 1,770,265</b>	<b>\$ 9,316,334</b>	<b>\$ 14,578,468</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric Light December 31, 2019	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 992,104	\$ 515,508	\$ 5,762,300	\$ 7,269,912
Payments to vendors.....	(308,761)	(311,943)	(4,951,911)	(5,572,615)
Payments to employees.....	(330,052)	(153,773)	(775,702)	(1,259,527)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>353,291</b>	<b>49,792</b>	<b>34,687</b>	<b>437,770</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers out.....	-	-	(35,000)	(35,000)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Acquisition and construction of capital assets.....	-	-	(290,046)	(290,046)
Principal payments on bonds and notes.....	(190,000)	(45,000)	-	(235,000)
Interest expense.....	(84,875)	(20,106)	-	(104,981)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(274,875)</b>	<b>(65,106)</b>	<b>(290,046)</b>	<b>(630,027)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Purchase of investments.....	-	-	(132,458)	(132,458)
Investment income.....	-	-	423,993	423,993
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>291,535</b>	<b>291,535</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>78,416</b>	<b>(15,314)</b>	<b>1,176</b>	<b>64,278</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>431,569</b>	<b>455,291</b>	<b>88,141</b>	<b>975,001</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 509,985</b>	<b>\$ 439,977</b>	<b>\$ 89,317</b>	<b>\$ 1,039,279</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>				
<b><u>FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ 470,205	\$ 87,529	\$ 173,486	\$ 731,220
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	186,734	136,588	307,007	630,329
Deferred (outflows)/inflows related to pensions.....	12,862	6,431	(173,221)	(153,928)
Deferred (outflows)/inflows related to other postemployment benefits.....	(207,020)	(103,512)	(26,630)	(337,162)
Changes in assets and liabilities:				
User charges.....	(135,853)	(33,230)	1,788	(167,295)
Inventory.....	-	-	(8,013)	(8,013)
Prepaid expenses.....	-	-	(16,847)	(16,847)
Warrants payable.....	2,469	(55,918)	(269,037)	(322,486)
Accrued payroll.....	2,693	1,154	-	3,847
Customer deposits.....	-	-	3,479	3,479
Compensated absences.....	(300)	-	-	(300)
Net pension liability.....	8,280	4,140	225,893	238,313
Net other postemployment benefits liability.....	13,221	6,610	(183,218)	(163,387)
Total adjustments.....	(116,914)	(37,737)	(138,799)	(293,450)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 353,291</b>	<b>\$ 49,792</b>	<b>\$ 34,687</b>	<b>\$ 437,770</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 2,576	\$ 253,316	\$ 4,723
Investments:	-		
U.S. treasuries.....	-	19,021	-
Government sponsored enterprises.....	-	20,057	-
Corporate bonds.....	-	20,474	-
Equity mutual funds.....	258,918	12,244	-
Fixed income mutual funds.....	114,338	7,210	-
Other investments.....	140,193	-	-
<b>TOTAL ASSETS.....</b>	<b>516,025</b>	<b>332,322</b>	<b>4,723</b>
<b>LIABILITIES</b>			
Liabilities due depositors.....	-	-	4,723
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	516,025	-	-
Held in trust for other purposes.....	-	332,322	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 516,025</b>	<b>\$ 332,322</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Funds	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 205,000	\$ -
Employer contributions for benefit payments.....	<u>230,793</u>	<u>-</u>
Total contributions.....	<u>435,793</u>	<u>-</u>
Net investment income:		
Investment income.....	<u>29,387</u>	<u>25,215</u>
TOTAL ADDITIONS.....	<u>465,180</u>	<u>25,215</u>
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	230,793	-
Educational scholarships.....	<u>-</u>	<u>35</u>
TOTAL DEDUCTIONS.....	<u>230,793</u>	<u>35</u>
NET INCREASE (DECREASE) IN NET POSITION.....	234,387	25,180
NET POSITION AT BEGINNING OF YEAR.....	<u>281,638</u>	<u>307,142</u>
NET POSITION AT END OF YEAR.....	<u>\$ 516,025</u>	<u>\$ 332,322</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

***Joint Ventures***

The Town is a member of the Pentucket Regional School District that provides for the education of all levels of schools for the Town's students. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2020 assessment was \$9,864,501.

The Town is a member of the Whittier Regional Technical High School that serves the members' students seeking an education in academic and technical studies. The members share in the operations of the Whittier Regional Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Whittier Regional Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Whittier Regional Technical High School and the 2020 assessment was \$732,390.

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Fair Value Measurements

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

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

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

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



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

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

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

##### ***Real Estate, Personal Property Taxes and Tax Liens***

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

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

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

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

##### ***Motor Vehicle and Other Excise***

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

***Water and Sewer***

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

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

***Intergovernmental***

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

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

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

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

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

**H. Restricted Assets**

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

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

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

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

The estimated useful lives of capital assets are as follows:

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

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

*Governmental Fund Financial Statements*

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

J. Unavailable Revenue

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

K. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

L. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

M. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

N. Pensions

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

O. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

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

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

Net position has been “restricted for” the following:

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

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

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

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

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

#### P. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

Q. Investment Income

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

Investment income from proprietary funds is retained by the fund.

R. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

S. Use of Estimates*Government-Wide and Fund Financial Statements*

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

T. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Groveland's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$7,210,644 and the bank balance totaled \$7,686,721. Of the bank balance, \$3,577,488 was covered by Federal Depository Insurance, \$1,723,084 was covered by the Depositors Insurance Fund, \$416,975 was covered by Securities Investor Protection Corporation, and \$1,969,174 was uninsured and uncollateralized.

For disclosure purposes, there were no significant differences in amounts or classifications of the Municipal Light Department's balances at June 30, 2020, as compared with the December 31, 2019, amounts presented above.

Investments

As of June 30, 2020, the Town had the following investments:

Investment Type	Fair value	Maturities			Rating
		Under 1 Year	1-5 Years	6-10 Years	
<u>Debt securities:</u>					
U.S. treasury notes.....	\$ 137,244	\$ 66,056	\$ 71,188	\$ -	AA+
Government sponsored enterprises.....	594,238	14,158	240,250	339,830	AA+
Corporate bonds.....	1,134,262	99,902	1,034,360	-	AAA-BBB
Municipal bonds.....	1,226,817	670,959	473,117	82,741	A-AAA
Total debt securities.....	3,092,561	\$ 851,075	\$ 1,818,915	\$ 422,571	
<u>Other investments:</u>					
Equity securities.....	1,494,170				
Fixed income and equity mutual funds....	918,163				
Money market mutual funds.....	59,560				
MMDT.....	1,448,706				
Total investments.....	\$ 7,013,160				

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

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$1,821,055 of municipal bonds and government sponsored enterprises, \$1,134,262 of corporate bonds, and \$1,494,170 of equities securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

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

#### Interest Rate Risk

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

#### Credit Risk

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

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town will minimize the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2020, no more than 5% of the Town's investments are invested in any one issuer.

#### Fair Value of Investments

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

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



The Town has the following recurring fair value measurements as of June 30, 2020:

Investment Type	June 30, 2020	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)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 137,244	\$ 137,244	\$ -	\$ -
Government sponsored enterprises.....	594,238	594,238	-	-
Corporate bonds.....	1,134,262	-	1,134,262	-
Municipal bonds.....	1,226,817	1,226,817	-	-
Total debt securities.....	3,092,561	1,958,299	1,134,262	-
<u>Other investments:</u>				
Equity securities.....	1,494,170	1,494,170	-	-
Fixed income and equity mutual funds.....	918,163	918,163	-	-
Money market mutual funds.....	59,560	59,560	-	-
Total other investments.....	2,471,893	2,471,893	-	-
Total investments measured at fair value.....	5,564,454	\$ 4,430,192	\$ 1,134,262	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT.....	1,448,706			
Total investments.....	\$ 7,013,160			

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

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

**NOTE 3 – RECEIVABLES**

At June 30, 2020, receivables for the individual major funds, and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	63,196	-	\$ 63,196
Tax liens.....	652,702	-	652,702
Community preservation fund surtax.....	1,120	-	1,120
Motor vehicle and other excise taxes.....	92,607	(23,693)	68,914
Intergovernmental.....	39,164	-	39,164
Community preservation state share.....	224,230	-	224,230
Total..... \$	<u>1,073,019</u>	<u>(23,693)</u>	<u>\$ 1,049,326</u>

At June 30, 2020 (December 31, 2019 for the Electric Light fees), receivables for the water, sewer, and electric light enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees..... \$	404,032	-	\$ 404,032
Sewer fees.....	185,406	-	185,406
Sewer special assessments.....	149,864	-	149,864
Electric light fees.....	755,631	-	755,631
Total..... \$	<u>1,494,933</u>	<u>-</u>	<u>\$ 1,494,933</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	31,107	-	\$ 31,107
Tax liens.....	652,702	-	652,702
Community preservation fund surtax.....	-	1,120	1,120
Motor vehicle and other excise taxes.....	68,914	-	68,914
Intergovernmental.....	-	1,993	1,993
Community preservation state share.....	-	224,230	224,230
Total..... \$	<u>752,723</u>	<u>227,343</u>	<u>\$ 980,066</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,796,039	\$ -	\$ -	\$ 9,796,039
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,287,465	-	-	1,287,465
Buildings and improvements.....	8,404,959	55,000	-	8,459,959
Machinery and equipment.....	2,367,441	9,900	-	2,377,341
Vehicles.....	3,316,189	44,408	(193,666)	3,166,931
Infrastructure.....	23,734,829	504,248	(33,383)	24,205,694
Total capital assets being depreciated.....	39,110,883	613,556	(227,049)	39,497,390
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(561,613)	(34,614)	-	(596,227)
Buildings and improvements.....	(6,423,058)	(148,017)	-	(6,571,075)
Machinery and equipment.....	(1,812,785)	(132,356)	-	(1,945,141)
Vehicles.....	(2,240,482)	(192,094)	193,666	(2,238,910)
Infrastructure.....	(10,863,892)	(531,539)	33,383	(11,362,048)
Total accumulated depreciation.....	(21,901,830)	(1,038,620)	227,049	(22,713,401)
Total capital assets being depreciated, net.....	17,209,053	(425,064)	-	16,783,989
Total governmental activities capital assets, net.....	\$ 27,005,092	\$ (425,064)	\$ -	\$ 26,580,028
 <b>Business-Type Activities</b>				
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 478,753	\$ -	\$ -	\$ 478,753
<u>Capital assets being depreciated:</u>				
Buildings.....	36,753	-	-	36,753
Machinery and equipment.....	310,760	-	-	310,760
Vehicles.....	58,957	-	-	58,957
Infrastructure.....	8,649,397	-	(107,151)	8,542,246
Total capital assets being depreciated.....	9,055,867	-	(107,151)	8,948,716
<u>Less accumulated depreciation for:</u>				
Buildings.....	(33,226)	(784)	-	(34,010)
Machinery and equipment.....	(302,874)	(13,254)	-	(316,128)
Vehicles.....	(27,772)	(6,930)	-	(34,702)
Infrastructure.....	(2,737,582)	(165,766)	107,151	(2,796,197)
Total accumulated depreciation.....	(3,101,454)	(186,734)	107,151	(3,181,037)
Total capital assets being depreciated, net.....	5,954,413	(186,734)	-	5,767,679
Total water activities capital assets, net.....	\$ 6,433,166	\$ (186,734)	\$ -	\$ 6,246,432

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 255,004	\$ -	\$ -	\$ 255,004
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	19,450	-	-	19,450
Vehicles.....	14,850	-	-	14,850
Infrastructure.....	5,405,987	-	-	5,405,987
Total capital assets being depreciated.....	5,440,287	-	-	5,440,287
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(18,478)	(973)	-	(19,451)
Vehicles.....	(1,485)	(4,455)	-	(5,940)
Infrastructure.....	(3,452,541)	(131,160)	-	(3,583,701)
Total accumulated depreciation.....	(3,472,504)	(136,588)	-	(3,609,092)
Total capital assets being depreciated, net.....	1,967,783	(136,588)	-	1,831,195
Total sewer activities capital assets, net.....	\$ 2,222,787	\$ (136,588)	\$ -	\$ 2,086,199

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Electric Light:</b>				
<u>Capital assets not being depreciated:</u>				
Land and land improvements.....	\$ 454,200	\$ -	\$ -	\$ 454,200
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	2,636,412	28,173	-	2,664,585
Equipment.....	1,372,026	1,703	(2,300)	1,371,429
Infrastructure.....	7,452,798	260,170	(26,745)	7,686,223
Total capital assets being depreciated.....	11,461,236	290,046	(29,045)	11,722,237
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(288,045)	(53,292)	-	(341,337)
Equipment.....	(886,783)	(43,354)	2,300	(927,837)
Infrastructure.....	(3,257,741)	(210,361)	26,745	(3,441,357)
Total accumulated depreciation.....	(4,432,569)	(307,007)	29,045	(4,710,531)
Total capital assets being depreciated, net.....	7,028,667	(16,961)	-	7,011,706
Total electric light activities capital assets, net.....	\$ 7,482,867	\$ (16,961)	\$ -	\$ 7,465,906

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

<b>Governmental Activities:</b>	
General government.....	\$ 73,669
Public safety.....	217,464
Education.....	328,246
Public works.....	347,186
Health and human services.....	9,817
Culture and recreation.....	<u>62,238</u>
Total depreciation expense - governmental activities.....	\$ <u>1,038,620</u>
<b>Business-Type Activities:</b>	
Water.....	\$ 186,734
Sewer.....	136,588
Electric Light.....	<u>307,007</u>
Total depreciation expense - business-type activities.....	\$ <u>630,329</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the year end June 30, 2020, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 85,000	\$ 85,000 (1)
Nonmajor governmental funds.....	26,284	-	26,284 (2)
Electric Light Enterprise fund.....	<u>35,000</u>	<u>-</u>	<u>35,000</u> (3)
Total.....	\$ <u>61,284</u>	\$ <u>85,000</u>	\$ <u>146,284</u>

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

**NOTE 6 – CAPITAL LEASES**

The Town has entered into lease agreements as lessee for financing the acquisition of a loader. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

		Governmental Activities
<u>Asset:</u>		
Machinery and equipment.....	\$	139,700
Less: accumulated depreciation...		<u>(20,955)</u>
Total.....	\$	<u>118,745</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Years ending June 30:</u>		Governmental Activities
2021.....	\$	37,077
2022.....		<u>37,077</u>
Total minimum lease payments.....		74,154
Less: amounts representing interest.....		<u>(3,653)</u>
Present value of minimum lease payments... \$		<u>70,501</u>

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

Detail related to the Town’s short-term debt activity for the year ended June 30, 2020, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
<b>Governmental Funds:</b>							
BAN	Bond Anticipation Note.....	2.35%	06/04/20	\$ 181,685	\$ -	\$ (181,685)	-
BAN	Bond Anticipation Note.....	1.44%	06/04/21	-	181,685	-	181,685
Total Governmental Funds.....				\$ 181,685	\$ 181,685	\$ (181,685)	\$ 181,685

**NOTE 8 – LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2020, 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, 2020
Land acquisition.....	2035	\$ 3,675,000	2-4.00%	\$ 2,750,000
Police Communications Console.....	2021	160,000	2.00%	40,000
Aerial Ladder Truck.....	2036	734,675	2-3.25%	610,000
Total Bonds Payable.....				3,400,000
Add: Unamortized premium on bonds.....				86,516
Total Bonds Payable, net.....				<u>\$ 3,486,516</u>

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

Year	Principal	Interest	Total
2021.....	\$ 265,000	\$ 108,762	\$ 373,762
2022.....	225,000	99,762	324,762
2023.....	225,000	91,562	316,562
2024.....	225,000	82,962	307,962
2025.....	225,000	74,362	299,362
2026.....	225,000	65,762	290,762
2027.....	225,000	59,938	284,938
2028.....	225,000	53,650	278,650
2029.....	225,000	47,362	272,362
2030.....	225,000	41,076	266,076
2031.....	215,000	34,326	249,326
2032.....	215,000	27,876	242,876
2033.....	215,000	21,426	236,426
2034.....	215,000	14,663	229,663
2035.....	215,000	7,901	222,901
2036.....	35,000	1,138	36,138
Total.....	<u>\$ 3,400,000</u>	<u>\$ 832,527</u>	<u>\$ 4,232,527</u>

**Bonds Payable Schedule – Water Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Water Well.....	2032	\$ 120,000	2-3%	\$ 80,000
Water storage tank & mains.....	2032	925,000	2-3%	615,000
Water storage tank & mains II.....	2032	700,000	2-3%	465,000
Water 1.....	2032	262,000	2-3%	60,000
Water 2.....	2032	338,000	2-3%	220,000
Water Mains .....	2037	1,470,325	2-3.250%	<u>1,245,000</u>
Total Water Enterprise Debt.....				<u>\$ 2,685,000</u>

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

Year	Principal	Interest	Total
2021.....	\$ 205,000	\$ 79,925	\$ 284,925
2022.....	205,000	74,525	279,525
2023.....	175,000	69,125	244,125
2024.....	175,000	63,875	238,875
2025.....	185,000	58,625	243,625
2026.....	190,000	53,075	243,075
2027.....	190,000	47,375	237,375
2028.....	195,000	41,675	236,675
2029.....	200,000	35,825	235,825
2030.....	200,000	29,825	229,825
2031.....	210,000	23,825	233,825
2032.....	205,000	17,525	222,525
2033.....	70,000	11,375	81,375
2034.....	70,000	9,100	79,100
2035.....	70,000	6,825	76,825
2036.....	70,000	4,550	74,550
2037.....	<u>70,000</u>	<u>2,275</u>	<u>72,275</u>
Total.....	<u>\$ 2,685,000</u>	<u>\$ 629,325</u>	<u>\$ 3,314,325</u>



**Bonds Payable Schedule – Sewer Enterprise Fund**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Sewer.....	2032	\$ 146,000	2-3%	\$ 105,000
Sewer pump station repairs.....	2032	625,000	2-3%	415,000
Sewer.....	2035	140,000	2-4%	90,000
Total Sewer Enterprise Debt.....				\$ 610,000

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

Year	Principal	Interest	Total
2021.....	\$ 45,000	\$ 18,656	\$ 63,656
2022.....	45,000	17,206	62,206
2023.....	45,000	15,756	60,756
2024.....	45,000	14,306	59,306
2025.....	50,000	12,906	62,906
2026.....	50,000	11,356	61,356
2027.....	50,000	9,882	59,882
2028.....	50,000	8,394	58,394
2029.....	50,000	6,906	56,906
2030.....	55,000	5,418	60,418
2031.....	55,000	3,768	58,768
2032.....	55,000	2,118	57,118
2033.....	5,000	468	5,468
2034.....	5,000	312	5,312
2035.....	5,000	156	5,156
Total.....	\$ 610,000	\$ 127,608	\$ 737,608

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had the following authorized and unissued debt:

Purpose	Amount
Highway Radios.....	\$ 19,966
Police Radios.....	20,203
Police Cruiser.....	43,516
Fire EMS Vehicle.....	65,000
Fire Radio System.....	33,000
Total.....	\$ 181,685

Changes in Long-term Liabilities

During the year ended June 30, 2020, 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
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 3,665,000	\$ -	\$ (265,000)	\$ -	\$ -	\$ 3,400,000	\$ 265,000
Add: Unamortized premium on bonds.....	98,981	-	(12,465)	-	-	86,516	11,519
Total bonds payable.....	3,763,981	-	(277,465)	-	-	3,486,516	276,519
Capital lease obligations.....	102,578	-	-	-	(32,077)	70,501	35,077
Compensated absences.....	115,200	-	-	71,000	(28,800)	157,400	39,350
Net pension liability.....	6,200,043	-	-	604,601	(536,291)	6,268,353	-
Net OPEB liability.....	4,229,733	-	-	613,541	(259,278)	4,583,996	-
Capital assessment payable.....	5,436,861	-	-	-	(210,000)	5,226,861	289,139
Total governmental activity long-term liabilities.....	\$ 19,848,396	\$ -	\$ (277,465)	\$ 1,289,142	\$ (1,066,446)	\$ 19,793,627	\$ 640,085
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 3,530,000	\$ -	\$ (235,000)	\$ -	\$ -	\$ 3,295,000	\$ 250,000
Compensated absences.....	18,800	-	-	4,400	(4,700)	18,500	4,625
Net pension liability.....	2,968,068	-	-	335,821	(97,508)	3,206,381	-
Net OPEB liability.....	1,187,000	-	-	149,741	(313,128)	1,023,613	-
Total business-type activity long-term liabilities.....	\$ 7,703,868	\$ -	\$ (235,000)	\$ 489,962	\$ (415,336)	\$ 7,543,494	\$ 254,625

**NOTE 9 – CAPITAL ASSESSMENT PAYABLE**

The Town has voted and authorized debt through the Pentucket Regional School District (PRSD) for renovations and construction at the Town’s Bagnall Elementary School. PRSD maintains the bonds payable on their ledgers and assesses the Town its portion over the life of the debt service. The capital assessment due for the Bagnall Elementary School as of June 30, 2020, based on expenditures incurred to date is \$5.2 million.

**NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

Massachusetts General Law Ch.40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with appropriations from the fund requires a two-thirds vote of the legislative body. Additions to the fund may be made by a majority vote of the legislative body. At year-end, the balance of the Town’s stabilization fund and capital stabilization fund were \$1,442,692 and \$262,042, respectively and were reported as unassigned fund balance within the general fund.

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

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 433,018	\$ 433,018
Restricted for:				
Community preservation.....	-	3,263,858	-	3,263,858
Town grant funds.....	-	-	568,674	568,674
Receipts reserved for appropriations.....	-	-	164,116	164,116
Special revenue trust funds.....	-	-	168,028	168,028
Town revolving funds.....	-	-	58,969	58,969
Town donation fund.....	-	-	98,541	98,541
Other special revenue funds.....	-	-	307,863	307,863
Assigned to:				
Encumbrances:				
General government.....	11,355	-	-	11,355
Public safety.....	1,042	-	-	1,042
Public works.....	3,188	-	-	3,188
Health and human services.....	1,210	-	-	1,210
Free cash used for subsequent year budget.....	705,440	-	-	705,440
Unassigned.....	2,422,613	-	(181,580)	2,241,033
Total Fund Balances.....	\$ <u>3,144,848</u>	\$ <u>3,263,858</u>	\$ <u>1,617,629</u>	\$ <u>8,026,335</u>

**NOTE 11 – RISK FINANCING**

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

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

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

## **NOTE 12 – PENSION PLAN**

### *Plan Descriptions*

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

### *Benefits Provided*

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

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

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

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019, which was \$812,563, and 24.16% 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, 2020, the Town reported a liability of \$9,474,734 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, procedures

were used to roll the total pension liability to the measurement date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2019, the total Town’s proportion was 2.254%, which increased by 0.030% from its proportion measured at December 31, 2018.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized pension expense of \$1,056,710 and the Town reported net deferred outflows/(inflows) of resources related to pensions of \$650,567. The balances of deferred outflows and inflows at June 30, 2020, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 107,313	\$ (53,131)	\$ 54,182
Difference between projected and actual earnings, net.....	-	(276,207)	(276,207)
Changes in assumptions.....	849,984	-	849,984
Changes in proportion and proportionate share of contributions...	172,859	(150,251)	22,608
Total deferred outflows/(inflows) of resources.....	\$ 1,130,156	\$ (479,589)	\$ 650,567

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

Year ended June 30:	
2021.....	\$ 190,085
2022.....	192,596
2023.....	211,758
2024.....	56,128
Total.....	\$ 650,567

*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 to December 31, 2019:

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% (previously 7.50%)
Inflation rate.....	2.75%
Cost of living adjustments.....	2% of first \$14,000 for fiscal 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.

*Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.15%
International developed markets equity..	13.00%	6.78%
International emerging markets equity...	5.00%	8.65%
Core fixed income.....	15.00%	1.11%
High-yield fixed income.....	8.00%	3.51%
Real estate.....	10.00%	4.33%
Commodities.....	4.00%	4.13%
Hedge fund, GTAA, Risk parity.....	11.00%	3.19%
Private equity.....	13.00%	9.99%
Total.....	100.00%	

*Rate of return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.30%, which decreased from the previous discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore,

the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease (6.30%)	Current Discount (7.30%)	1% Increase (8.30%)
The Town's proportionate share of the net pension liability.....	\$ 11,915,060	\$ 9,474,734	\$ 7,423,488

*Changes of Assumptions –*

- The net investment return assumption was lowered from 7.50% to 7.30%.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB to the RP-2014 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2019.
- The morality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected generationally using scale MP-2019.
- The allowance for net 3(8)(c) payments was changed from a term cost added to the service cost to an estimated liability.

*Changes in Plan Provisions –* Effective January 1, 2020, the Board approved a 2.0% COLA increase on the first \$14,000 of a retirement allowance for fiscal 2021.

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

***GASB Statement #74 and #75 – OPEB Plan and Employer Financial Reporting for the Town, Exclusive of the Groveland Municipal Light Department***

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

*Funding Policy –* Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For 2020, the Town’s age-adjusted contribution to the plan totaled \$277,498. For the year ended June 30, 2020, the Town’s average contribution rate was 11.24% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and enabled the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities.

During 2020, the Town pre-funded future OPEB liabilities by contributing \$85,000 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$375,145.

*Employees Covered by Benefit Terms* – The following table represents the Plan’s membership at June 30, 2020:

Active members.....	42
Inactive members currently receiving benefits.....	<u>35</u>
Total.....	<u><u>77</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2020.

Total OPEB liability.....	\$ 5,267,621
Less: OPEB plan's fiduciary net position.....	<u>(375,145)</u>
Net OPEB liability.....	<u><u>\$ 4,892,476</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	7.12%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2018, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2020:

Valuation date.....	July 1, 2018, updated to June 30, 2020
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.72%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20- Year High Grad Index- SAPIHG)
Single Equivalent Discount Rate.....	5.00%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2020 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2020 and for future periods.



Mortality Rates:

Pre-Retirement Mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement Mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

*Rate of return* – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.52%. 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 a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of investment expense and 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 and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2020, 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 table on the following page.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity- Large Cap.....	20.00%	4.80%
Domestic Equity- Small/Mid Cap.....	10.00%	5.29%
International Equity- Developed Market..	10.00%	5.45%
International Equity- Emerging Market...	5.00%	6.42%
Domestic Fixed Income.....	25.00%	2.05%
International Fixed Income.....	10.00%	3.00%
Alternatives.....	20.00%	6.50%
Real Estate.....	0.00%	6.25%
Cash.....	0.00%	0.00%
 Total.....	 <u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.00% and 5.5% as of June 30, 2020 and 2019, respectively. 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 2.66% 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.

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 4,800,020	\$ 281,638	\$ 4,518,382
Changes for the year:			
Service cost.....	146,508	-	146,508
Interest.....	258,193	-	258,193
Net investment income.....	-	8,507	(8,507)
Employer contributions to the trust.....	-	277,498	(277,498)
Differences between expected and actual experience.....	(507)	-	(507)
Changes in assumptions and other inputs.....	255,905	-	255,905
Benefit payments.....	(192,498)	(192,498)	-
Net change.....	467,601	93,507	374,094
Balances at June 30, 2020.....	\$ <u>5,267,621</u>	\$ <u>375,145</u>	\$ <u>4,892,476</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 5.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current discount rate.

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability.....	\$ <u>5,697,685</u>	\$ <u>4,892,476</u>	\$ <u>4,242,323</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ <u>4,180,267</u>	\$ <u>4,892,476</u>	\$ <u>5,792,970</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the financial reporting year ended June 30, 2020, the Town recognized OPEB expense of \$178,184 and reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (163,708)	\$ (163,708)
Difference between projected and actual earnings, net.....	10,573	-	10,573
Changes in assumptions.....	340,842	(633,265)	(292,423)
Total deferred outflows/(inflows) of resources.....	\$ 351,415	\$ (796,973)	\$ (445,558)

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 June 30:	
2021.....	\$ (204,781)
2022.....	(204,784)
2023.....	(97,378)
2024.....	9,458
2025.....	51,927
Total.....	\$ (445,558)

Changes of Assumptions – The discount rate has been changed from 5.50% to 5.00%.

Changes in Plan Provisions – None.

**GASB Statement #74 and #75 – OPEB Employer Financial Reporting for the Groveland Municipal Light Department as of December 31, 2019**

Plan Description – The Groveland Electric Light Department (Department) participates in the Town sponsored single employer defined benefit healthcare plan (Plan). The Plan provides certain health care and life insurance benefits for eligible retirees, spouse and dependents. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. All benefits are provided through the Department’s premium-based insurance program. The Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

Funding Policy – The contribution requirements of OPEB Plan members and the Department are established and may be amended by the Department. Currently, members receiving these benefits contribute 25% of the cost of the plan. The remainder of the cost is funded by general revenues of the Department. The Department currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB plan are paid by the Department. For the year ended December 31, 2019, the Department’s age-adjusted contribution to the plan totaled \$158,295 and the Department’s average contribution rate was approximately 20.41% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Department to establish a postemployment benefit trust fund and enabled the Department to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2019, the Department pre-funded future OPEB liabilities by contributing \$120,000 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of December 31, 2019, the balance of this fund totaled \$140,880.

As of December 31, 2019, the Department’s membership consisted of the following:

Active members.....	7
Retirees and beneficiaries.....	<u>6</u>
Total.....	<u><u>13</u></u>

*Net OPEB Liability* – The Department’s new OPEB liability was measured as of December 31, 2019, using an actuarial valuation as of January 1, 2019. The components of the net OPEB liability of the Department at December 31, 2019 were as follows:

Total OPEB liability.....	\$ 856,013
Less: OPEB plan's fiduciary net position.....	<u>(140,880)</u>
Net OPEB liability.....	<u><u>\$ 715,133</u></u>

The OPEB plan's fiduciary net position  
as a percentage of the total OPEB liability.. 16.46%

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

Valuation date.....	January 1, 2019
Actuarial Cost Method.....	Individual entry age normal.
Investment Rate of Return.....	6.57%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	3.26% as of December 31, 2019.
Discount Rate.....	6.75% as of December 31, 2019.
Inflation.....	2.5% annually as of December 31, 2019, and for future periods.
Health Care Trend Rate.....	5%
Salary Increases.....	3.00% annually as of December 31, 2019, and for future periods.
Cost of Living Adjustment.....	Not applicable.

Pre-Retirement Mortality.....	RP-2014 Employees Mortality Table for blue collar employees projected with scale MP-2016 for males and females.
Post-Retirement Mortality.....	RP-2014 Mortality Table for blue collar healthy annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	RP-2014 Mortality Table for blue collar healthy annuitants projected generationally, scale MP-2016 for males and females set forward 1 year.

*Discount Rate* – The blended discount rate used to measure the total OPEB liability was 6.75% (previously 3.64%). There were no significant changes in assumptions from the prior year.

*Long Term Expected Rate of Return* – 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 OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return were as reflected 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 - large cap.....	28.25%	4.80%
Domestic equity - sm/mid cap.....	13.75%	5.29%
International equities - developed market.....	13.75%	5.45%
International equities -emerging market.....	7.00%	6.42%
Domestic Fixed Income.....	21.00%	2.05%
International Fixed Income.....	10.50%	3.00%
Alternatives.....	3.25%	6.50%
Real Estate.....	1.25%	6.25%
Cash.....	1.25%	0.00%
 Total.....	 <u>100.00%</u>	

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 6.75%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current discount rate.

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net OPEB liability..... \$	<u>825,777</u>	<u>\$ 715,133</u>	<u>\$ 610,210</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current	1% Increase
Net OPEB liability.....\$	613,536	715,133	839,331

*Changes in the Net OPEB Liability* – The following table summarizes the changes in the Department’s net OPEB liability for the year ended December 31, 2019.

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at January 1, 2019.....\$	909,524	11,173	898,351
Changes for the year:			
Service cost.....	17,562	-	17,562
Interest.....	61,307	-	61,307
Net investment income.....	-	9,707	(9,707)
Employer contributions to the trust.....	-	158,295	(158,295)
Differences between expected and actual experience.....	(135,681)	-	(135,681)
Changes in assumptions and other inputs.....	41,596	-	41,596
Benefit payments.....	(38,295)	(38,295)	-
Net change.....	(53,511)	129,707	(183,218)
Balances at December 31, 2019.....\$	856,013	140,880	715,133

*OPEB Expense and Deferred Outflows/Inflows of Resources Related To OPEB* – For the year ended December 31, 2019, the Department recognized OPEB expense of \$209,848. Deferred inflows of resources related to OPEB at December 31, 2019, were reported as follows:

Deferred Category	Deferred Inflows of Resources
Differences between expected and actual experience.....\$	(108,545)
Difference between projected and actual earnings, net.....	(3,209)
Changes in assumptions.....	(285,507)
Total deferred outflows/(inflows) of resources.....\$	(397,261)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

<u>December 31:</u>	
2020.....	\$ (125,809)
2021.....	(125,809)
2022.....	(125,808)
2023.....	<u>(19,835)</u>
 Total.....	 <u>\$ (397,261)</u>

*Changes of Assumptions* – The health care trend rate was reduced from 5.00% to 4.50%.

*Changes in Plan Provisions* – None.

**NOTE 14 – CONTINGENCIES**

The Town has various legal actions and claims pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of the liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

**NOTE 15 – FINANCIAL STATEMENTS FOR OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS**

GAAP requires that all Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund Plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the Town’s OPEB trust fund Plan, as of June 30, 2020, and the electric light Department’s OPEB trust fund Plan, as of December 31, 2019, that are included in the Fiduciary Funds as Other Postemployment Benefit Funds.

	Electric Light Other Postemployment Benefit Trust Fund (as of December 31, 2019)	Town Other Postemployment Benefit Trust Fund	Total Other Postemployment Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 687	\$ 1,889	\$ 2,576
Investments:			
Equity mutual funds.....	-	258,918	258,918
Fixed income mutual funds.....	-	114,338	114,338
Other investments.....	<u>140,193</u>	<u>-</u>	<u>140,193</u>
 TOTAL ASSETS.....	 <u>140,880</u>	 <u>375,145</u>	 <u>516,025</u>
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	\$ <u>140,880</u>	\$ <u>375,145</u>	\$ <u>516,025</u>

	Electric Light Other Postemployment Benefit Trust Fund (as of December 31, 2019)	Town Other Postemployment Benefit Trust Fund	Total Other Postemployment Benefit Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions.....	\$ 120,000	\$ 85,000	\$ 205,000
Employer contributions for other postemployment benefit payments.....	38,295	192,498	230,793
<b>Total contributions.....</b>	<b>158,295</b>	<b>277,498</b>	<b>435,793</b>
Net investment income:			
Investment income.....	20,880	8,507	29,387
<b>TOTAL ADDITIONS.....</b>	<b>179,175</b>	<b>286,005</b>	<b>465,180</b>
<b>DEDUCTIONS:</b>			
Other postemployment benefit payments.....	38,295	192,498	230,793
<b>NET INCREASE (DECREASE) IN NET POSITION...</b>	<b>140,880</b>	<b>93,507</b>	<b>234,387</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>-</b>	<b>281,638</b>	<b>281,638</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 140,880</b>	<b>\$ 375,145</b>	<b>\$ 516,025</b>

**NOTE 16 – 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.

A number of businesses have been forced to stop or significantly reduce operations, decreasing the Town’s portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic.

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 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.



**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 23, 2021 which is the date the financial statements were available to be issued.

**NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- 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 #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- 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*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

## ***Required Supplementary Information***

# Budgetary Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 14,892,661	\$ 14,892,661	\$ 14,854,885	\$ -	\$ (37,776)
Tax liens.....	-	-	54,412	-	54,412
Motor vehicle and other excise taxes.....	1,050,000	1,050,000	967,070	-	(82,930)
Penalties and interest on taxes.....	115,000	115,000	47,311	-	(67,689)
Payments in lieu of taxes.....	36,000	36,000	41,792	-	5,792
Intergovernmental.....	1,015,162	1,015,162	977,523	-	(37,639)
Departmental and other.....	351,000	351,000	283,539	-	(67,461)
Investment income.....	20,000	20,000	16,210	-	(3,790)
<b>TOTAL REVENUES.....</b>	<b>17,479,823</b>	<b>17,479,823</b>	<b>17,242,742</b>	<b>-</b>	<b>(237,081)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	989,409	970,638	850,592	11,355	108,691
Public safety.....	1,984,248	1,972,243	1,880,668	1,042	90,533
Education.....	10,876,891	10,876,891	10,786,723	-	90,168
Public works.....	1,486,786	1,477,607	1,418,752	3,188	55,667
Health and human services.....	240,410	230,515	213,758	1,210	15,547
Culture and recreation.....	267,980	267,980	264,640	-	3,340
Pension benefits.....	536,292	536,292	533,480	-	2,812
Property and liability insurance.....	185,000	185,000	182,236	-	2,764
Employee benefits.....	677,000	724,850	614,172	-	110,678
State and county charges.....	93,450	93,450	93,161	-	289
Debt service:					
Principal.....	265,000	267,000	265,000	-	2,000
Interest.....	127,765	127,765	122,032	-	5,733
<b>TOTAL EXPENDITURES.....</b>	<b>17,730,231</b>	<b>17,730,231</b>	<b>17,225,214</b>	<b>16,795</b>	<b>488,222</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(250,408)</b>	<b>(250,408)</b>	<b>17,528</b>	<b>(16,795)</b>	<b>251,141</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of prior year reserves.....	6,030	6,030	-	-	(6,030)
Use of free cash.....	404,408	404,408	-	-	(404,408)
Transfers in.....	49,970	49,970	61,284	-	11,314
Transfers out.....	(210,000)	(210,000)	(210,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>250,408</b>	<b>250,408</b>	<b>(148,716)</b>	<b>-</b>	<b>(399,124)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>(131,188)</b>	<b>(16,795)</b>	<b>(147,983)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,539,211</b>	<b>1,539,211</b>	<b>1,539,211</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,539,211</b>	<b>\$ 1,539,211</b>	<b>\$ 1,408,023</b>	<b>\$ (16,795)</b>	<b>\$ (147,983)</b>

See notes to required supplementary information.

# Pension Plan Schedules

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

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

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

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

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, 2019.....	2.254%	\$ 9,474,734	\$ 3,297,922	287.29%	55.46%
December 31, 2018.....	2.224%	9,168,111	2,876,912	318.68%	51.89%
December 31, 2017.....	2.223%	8,270,880	2,770,480	298.54%	55.40%
December 31, 2016.....	2.161%	8,317,251	2,778,252	299.37%	51.12%
December 31, 2015.....	2.279%	8,112,592	2,663,576	304.58%	51.01%
December 31, 2014.....	2.331%	6,340,753	2,557,548	247.92%	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**

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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, 2020.....	\$ 812,563	\$ (812,563)	-	\$ 3,363,880	24.16%
June 30, 2019.....	745,929	(745,929)	-	2,934,450	25.42%
June 30, 2018.....	694,361	(694,361)	-	2,825,890	24.57%
June 30, 2017.....	628,220	(628,220)	-	2,833,817	22.17%
June 30, 2016.....	639,922	(639,922)	-	2,716,848	23.55%
June 30, 2015.....	598,799	(598,799)	-	2,608,699	22.95%

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

See notes to required supplementary information.



# Other Postemployment Benefit Plan Schedules

## **GASB # 74 & GASB #75 – Town, Exclusive of the 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.

## **GASB # 74 & GASB #75 – Groveland Municipal 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 Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

The Schedule of the Electric Light Department's 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.

**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
<b>Total OPEB Liability</b>				
Service Cost.....	\$ 206,965	\$ 212,419	\$ 274,017	\$ 146,508
Interest.....	244,767	284,103	292,352	258,193
Differences between expected and actual experience.....	-	-	(215,489)	(507)
Changes of assumptions.....	-	(438,482)	(551,116)	255,905
Benefit payments.....	<u>(177,756)</u>	<u>(188,554)</u>	<u>(212,712)</u>	<u>(192,498)</u>
Net change in total OPEB liability.....	273,976	(130,514)	(412,948)	467,601
Total OPEB liability - beginning.....	<u>5,069,506</u>	<u>5,343,482</u>	<u>5,212,968</u>	<u>4,800,020</u>
Total OPEB liability - ending (a).....	<u>\$ 5,343,482</u>	<u>\$ 5,212,968</u>	<u>\$ 4,800,020</u>	<u>\$ 5,267,621</u>
<b>Plan fiduciary net position</b>				
Employer contributions.....	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Employer contributions for OPEB payments.....	177,756	188,554	212,712	192,498
Net investment income/(loss).....	3,277	(3,287)	17,035	8,507
Benefit payments.....	<u>(177,756)</u>	<u>(188,554)</u>	<u>(212,712)</u>	<u>(192,498)</u>
Net change in plan fiduciary net position.....	88,277	81,713	102,035	93,507
Plan fiduciary net position - beginning of year.....	<u>9,613</u>	<u>97,890</u>	<u>179,603</u>	<u>281,638</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 97,890</u>	<u>\$ 179,603</u>	<u>\$ 281,638</u>	<u>\$ 375,145</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 5,245,592</u>	<u>\$ 5,033,365</u>	<u>\$ 4,518,382</u>	<u>\$ 4,892,476</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.83%	3.45%	5.87%	7.12%
Covered-employee payroll.....	\$ 2,408,117	\$ 2,489,428	\$ 2,318,433	\$ 2,468,777
Net OPEB liability as a percentage of covered-employee payroll.....	217.83%	202.19%	194.89%	198.17%

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**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 449,615	\$ (277,498)	\$ 172,117	\$ 2,468,777	11.24%
June 30, 2019.....	417,296	(246,831)	170,465	2,318,433	10.65%
June 30, 2018.....	462,808	(222,487)	240,321	2,489,428	8.94%
June 30, 2017.....	460,601	(212,927)	247,675	2,408,117	8.84%

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**

---

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	2.52%
June 30, 2019.....	7.23%
June 30, 2018.....	-2.37%
June 30, 2017.....	10.60%

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  
GROVELAND MUNICIPAL LIGHT DEPARTMENT NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	December 31, 2017	December 31, 2018	December 31, 2019
<b>Total OPEB Liability</b>			
Service Cost.....	\$ 46,169	\$ 21,549	\$ 17,562
Interest.....	46,818	92,339	61,307
Differences between expected and actual experience.....	-	-	(135,681)
Changes of assumptions.....	-	(531,308)	41,596
Benefit payments.....	<u>(38,088)</u>	<u>(38,365)</u>	<u>(38,295)</u>
Net change in total OPEB liability.....	54,899	(455,785)	(53,511)
Total OPEB liability - beginning.....	<u>1,310,410</u>	<u>1,365,309</u>	<u>909,524</u>
Total OPEB liability - ending (a).....	<u>\$ 1,365,309</u>	<u>\$ 909,524</u>	<u>\$ 856,013</u>
<b>Plan fiduciary net position</b>			
Employer contributions.....	\$ 38,088	\$ 38,365	\$ 158,295
Net investment income/(loss).....	1,538	(664)	9,707
Benefit payments.....	<u>(38,088)</u>	<u>(38,365)</u>	<u>(38,295)</u>
Net change in plan fiduciary net position.....	1,538	(664)	129,707
Plan fiduciary net position - beginning of year.....	<u>10,299</u>	<u>11,837</u>	<u>11,173</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 11,837</u>	<u>\$ 11,173</u>	<u>\$ 140,880</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 1,353,472</u>	<u>\$ 898,351</u>	<u>\$ 715,133</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.87%	1.23%	16.46%
Covered-employee payroll.....	\$ 879,941	\$ 711,520	\$ 775,702
Net OPEB liability as a percentage of covered-employee payroll.....	153.81%	126.26%	92.19%

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

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
GROVELAND MUNICIPAL LIGHT DEPARTMENT**

---

<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>
December 31, 2019.....	\$ 70,199	\$ (158,295)	\$ (88,096)	\$ 775,702	20.41%
December 31, 2018.....	87,671	(38,365)	49,306	711,520	5.39%
December 31, 2017.....	114,467	(38,088)	76,379	879,941	4.33%

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 INVESTMENT RETURNS  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
GROVELAND MUNICIPAL LIGHT DEPARTMENT**

---

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2019.....	14.98%
December 31, 2018.....	-5.61%
December 31, 2017.....	14.93%

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

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized \$17.9 million in appropriations and other amounts to be raised, along with \$6,000 of prior year carryforwards.

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, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$	(131,188)
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		159,667
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		12,031
Net change in fund balance - GAAP basis.....	\$	<u>40,510</u>



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

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

**B. Schedule of Town's Contributions**

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

**C. Changes of Assumptions**

- The net investment return assumption was lowered from 7.50% to 7.30%.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB to the RP-2014 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2019.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected generationally using scale MP-2019.
- The allowance for net 3(8)(c ) payments was changed from a term cost added to the service cost to an estimated liability.

**D. Changes in Plan Provisions**

Effective January 1, 2020, the Board approved a 2.0% COLA increase on the first \$14,000 of a retirement allowance for fiscal 2021.

**NOTE C – OTHER POST-EMPLOYMENT BENEFITS**

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

***The Other Postemployment Benefit Plan – Town, exclusive of the Groveland Municipal Light Department*****Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and

ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2018, updated to June 30, 2020
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.72%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20- Year High Grad Index- SAPIHG)
Single Equivalent Discount Rate.....	5.00%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2020 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2020 and for future periods.
Mortality Rates:	
Pre-Retirement Mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement Mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled Mortality.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

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.

Changes of Assumptions

The discount rate has been changed from 5.50% to 5.00%.

Changes in Provisions

None.

***The Other Postemployment Benefit Plan –Groveland Municipal Light Department (Department)***

Schedule of Changes in the Department’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the 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.

Schedule of the Department’s Contributions

The Schedule of the Department’s Contributions includes the 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 Department is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	January 1, 2019
Actuarial Cost Method.....	Individual entry age normal.
Investment Rate of Return.....	6.57%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	3.26% as of December 31, 2019.
Discount Rate.....	6.75% as of December 31, 2019.
Inflation.....	2.5% annually as of December 31, 2019, and for future periods.
Health Care Trend Rate.....	5%
Salary Increases.....	3.00% annually as of December 31, 2019, and for future periods.
Cost of Living Adjustment.....	Not applicable.

Pre-Retirement Mortality.....	RP-2014 Employees Mortality Table for blue collar employees projected with scale MP-2016 for males and females.
Post-Retirement Mortality.....	RP-2014 Mortality Table for blue collar healthy annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality.....	RP-2014 Mortality Table for blue collar healthy annuitants projected generationally, scale MP-2016 for males and females set forward 1 year.

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.

Changes of Assumptions

The health care trend rate was reduced from 5.00% to 4.50%.

Changes in Provisions

None.

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

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

**Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Groveland, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Groveland, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Groveland, Massachusetts' basic financial statements, and have issued our report thereon dated March 23, 2021. Our report includes a reference to another auditor who audited the financial statements of the Groveland Municipal Light Department as of December 31, 2019, as described in our report on the Town of Groveland, Massachusetts' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Groveland, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Pomeroy & Sullivan, LLC". The signature is written in a cursive, flowing style.

March 23, 2021