

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF GROTON, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

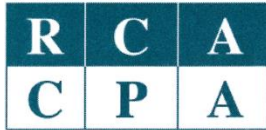
Year Ended June 30, 2022



TOWN OF GROTON, MASSACHUSETTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Select Board
Town of Groton, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Groton, Massachusetts, (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, except for the Groton Electric Light Department, (the "Light Department", "Electric Light Department" or "GELD") which is as of December 31, 2021 and is a Town department reported as an enterprise fund and part of the Town's business-type funds. We did not audit the financial statements of the Light Department which represented 42.5% and 80.2% of the assets and revenues of the combined enterprise funds within the Town's business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2022, (except for the Light Department, which is as of December 31, 2021) and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a

going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not 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 a report dated January 17, 2023 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
January 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Groton, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022 (December 31, 2021, for the Groton Electric Light Department). We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of financial resources for the Town exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by nearly \$60.0 million (*total net position*). This was an increase of over \$5.4 million over the prior year. This consisted mostly of an increase to the governmental activities as business-type activities were flat year-over-year.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of nearly \$40.0 million, which is approximately \$26.3 million higher than the prior year. This was due primarily to proceeds received from a bond issuance related to construction of a new school.
- Of the ending fund balance in the Town's governmental funds, the Town reports unassigned fund balance at year-end of approximately \$5.3 million, consisting of nearly \$5.8 million balance in the general fund offset by unassigned fund deficits reported in the capital projects major funds and combined nonmajor funds.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was nearly 13.5% of the total general fund expenditures and the total general fund balance was over 16.5% of the total general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities increased by nearly \$26.5 million in the fiscal year due to proceeds from bond issuances exceeding regular scheduled maturities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred 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 of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation pay).

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, regionalized education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include water, sewer, cable access, stormwater drainage and electric light enterprise funds.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major funds if negative.

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation act fund, library trust funds, and

capital projects funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, cable access, stormwater drainage and electric light activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town includes the activities of the other postemployment trust benefits trust funds for both the Town and Electric Department and public assistance and scholarship funds. 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 proprietary funds.

Notes to the 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-Wide Financial Analysis

The following table present the condensed comparative statements of net position:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 47,519,143	\$ 18,419,905	\$ 14,714,923	\$ 9,125,405	\$ 62,234,066	\$ 27,545,310
Capital assets, net	67,311,754	61,845,109	32,139,554	31,398,884	99,451,308	93,243,993
Total assets	114,830,897	80,265,014	46,854,477	40,524,289	161,685,374	120,789,303
Deferred outflows of resources	4,659,468	3,203,464	1,743,427	2,036,142	6,402,895	5,239,606
<u>Liabilities</u>						
Long-term liabilities	72,573,908	47,131,668	11,212,701	11,794,866	83,786,609	58,926,534
Other liabilities	6,138,497	3,136,094	9,202,642	2,769,175	15,341,139	5,905,269
Total liabilities	78,712,405	50,267,762	20,415,343	14,564,041	99,127,748	64,831,803
Deferred inflows of resources	5,233,186	3,079,534	3,734,191	3,529,005	8,967,377	6,608,539
<u>Net Position</u>						
Net investment in capital assets	48,648,180	43,232,895	28,250,452	27,870,322	76,898,632	71,103,217
Restricted	8,715,551	7,679,782	-	-	8,715,551	7,679,782
Unrestricted	(21,818,957)	(20,791,495)	(3,802,082)	(3,402,937)	(25,621,039)	(24,194,432)
Net Position	\$ 35,544,774	\$ 30,121,182	\$ 24,448,370	\$ 24,467,385	\$ 59,993,144	\$ 54,588,567

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by almost \$60.0 million (total net position).

By far the largest portion (approximately \$76.9 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's total net position (over \$8.7 million) represents resources that are subject to external restrictions on how they may be used. The remaining category represents *unrestricted net position*, which is currently in a deficit position of over \$25.6 million. This is primarily a result of the recognition of net other postemployment benefits and net pension liabilities. The Town expects the annual provision for this liability will continue to decrease unrestricted net position for the foreseeable future.

The following table presents the condensed comparative statement of activities in net position:

	Governmental activities		Business-type activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 3,634,308	\$ 2,183,316	\$ 13,904,714	\$ 13,154,324	\$ 17,539,022	\$ 15,337,640
Operating grants and contributions	2,450,278	2,321,764	-	-	2,450,278	2,321,764
Capital grants and contributions	3,581,792	1,059,096	103	80,721	3,581,895	1,139,817
General revenues:						
Property taxes	37,375,301	35,997,309	-	-	37,375,301	35,997,309
Intergovernmental	945,487	465,778	-	-	945,487	465,778
Other	2,285,957	3,127,566	44,007	52,286	2,329,964	3,179,852
Total revenues	50,273,123	45,154,829	13,948,824	13,287,331	64,221,947	58,442,160
Expenses						
General government	4,841,608	4,611,348	-	-	4,841,608	4,611,348
Public safety	7,806,272	9,843,956	-	-	7,806,272	9,843,956
Education	25,093,438	23,413,553	-	-	25,093,438	23,413,553
Public works	3,364,621	2,896,845	-	-	3,364,621	2,896,845
Health and human services	1,175,736	697,357	-	-	1,175,736	697,357
Culture and recreation	2,005,212	2,352,135	-	-	2,005,212	2,352,135
Debt service	562,644	469,048	-	-	562,644	469,048
Water	-	-	1,462,767	1,346,948	1,462,767	1,346,948
Sewer	-	-	1,091,014	882,988	1,091,014	882,988
Cable access	-	-	128,401	233,744	128,401	233,744
Stormwater drainage	-	-	181,459	58,866	181,459	58,866
Electric Light Department	-	-	11,070,198	10,382,842	11,070,198	10,382,842
Total expenses	44,849,531	44,284,242	13,933,839	12,905,388	58,783,370	57,189,630
Change in net assets before transfers	5,423,592	870,587	14,985	381,943	5,438,577	1,252,530
Transfers	-	-	(34,000)	(33,800)	(34,000)	(33,800)
Change in net position	5,423,592	870,587	(19,015)	348,143	5,404,577	1,218,730
Net position, beginning of year	30,121,182	29,250,595	24,467,385	23,743,942	54,588,567	52,994,537
Net position, beginning of year	-	-	-	375,300	-	375,300
Net position, end of year	\$ 35,544,774	\$ 30,121,182	\$ 24,448,370	\$ 24,467,385	\$ 59,993,144	\$ 54,588,567

Governmental Activities – Total revenues in fiscal year 2022 in the Town’s governmental activities increased over \$5.1 million from fiscal year 2021. The increase is primarily due to about \$1.4 million higher property tax revenue and over \$2.5 million in additional capital grants for asset construction and development projects.

The Town’s largest revenue source is property taxes which represented 74.3% of total revenues. As discussed, the current amount represented a dollar increase of almost \$1.4 million. This increase was expected as the Town is allowed to assess property taxes at 2 ½% over the prior year amount. In addition, amounts assessed greater than this that are attributed to debt exclusion and new growth are also legally permissible.

In addition, the Town is receiving reimbursement from the Massachusetts School Building Authority for construction costs related to the building of a new school. This caused capital grants to be \$2.5 million greater than the prior year.

Other revenue amounts were minor in amount or did not vary greatly from the prior year.

Major expenses were for education which continues to be an area that the Town devotes significant resources. Education expenses total approximately 56% of total annual expenditures in the current year; educational services are provided through a regional school district. In terms of gross dollars, education expenses increased \$1.7 million over the prior year. This was primarily due to expenses associated with the Town’s ARPA grant, a portion of which was transferred to the regional school district. Public safety expenses decreased over \$2.0 million primarily due to reduction in costs associated with the response to the pandemic and a lower allocation of pension and OPEB costs in the current year.

All other expense categories were consistent with the prior year.

Business-type Activities – User charges for water, sewer, cable access, stormwater drainage, and electric light services represent virtually all the reported fiscal year 2022 revenues in the Town’s business-type activities. Operating results from these activities were fairly consistent when comparing revenues to expenses. Each in aggregate increased about \$1 million over the prior year resulting in a net position that was flat in comparison as the Town continues to match user rates to output.

Government Funds Financial Analysis

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’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’s financing requirements.

The following describe activity in each of the major funds that make up the governmental funds:

General Fund – Unassigned fund balance in the general fund is perhaps the most important number on the balance sheet it serves as a useful measure of a government’s net resources available for spending at the end of the fiscal year and an amount that is commonly measured against its peers when assessing a bond rating.

As of the close of the fiscal year, the Town’s general fund unassigned fund balance was over \$5.7 million (about 13.5% of expenditures) while total fund balance reached over \$7.0 million (about 16.5% of

expenditures). This represented an increase of almost \$0.4 million over the prior year with current year revenues approximating expenditures.

Community Preservation Act Fund - The Community Preservation Fund increased almost \$0.7 million; revenues of almost \$1.4 million were offset by a lower level of expenditures and transfers than the prior year. Fund balance resulted in a total of over \$1.7 million and was classified as restricted.

Library Trust Funds - The Library Trust Funds decreased almost \$0.2 million with nonsignificant expenditures incurred during the year. These funds are being accumulated for the sole purpose of supporting the Town's local library operations and facilities. Fund balance totals nearly \$4.8 million and was classified as restricted.

Capital Projects Funds – This account was set up to report the activity related to the Town's various authorized capital projects. During fiscal 2022, the Town began construction on a new school. The project is expected to exceed \$70 million and approximately 53% of eligible construction costs will be reimbursed by the Massachusetts School Building Authority. Permanent borrowing for the project was completed during the year in the amount of almost \$26 million along with a premium over \$2 million. This is the primary reason for the significant increase of almost \$25 million in the fund. The Town also incurred activity in other minor projects whose funding source has not yet been borrowed permanently. This resulted in an unassigned deficit of about \$0.5 million. The remainder of the fund, about \$24.7 million is classified as restricted.

Combined Nonmajor Fund – Revenue and expenditures in the combined nonmajor fund are expected to net over time and any increases or decreases are a product of timing of revenues and expenses. In the current year operations, expenditures and transfers exceeded revenues by approximately \$0.5 million. Any deficit fund balances would be classified as unassigned, a trivial amount represents corpus of endowments and is recorded as nonspendable, and the remainder as restricted.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water, sewer, cable access, stormwater drainage, and electric light department funds were approximately \$9.9 million, \$5.5 million, (\$0.2) million, \$0.2 million, and \$9.1 million respectively. The Town's water, stormwater drainage, cable access, and electric light enterprise funds reported positive results from operations; the Town's sewer enterprise fund reported a small loss from operations which is anticipated to be funded through existing, future revenue sources.

Fiduciary Fund – The Town's fiduciary fund is comprised of the Private Purpose Trust Funds and Other Postemployment Benefit Trust Funds for the Town and Electric Light Department.

General Fund Budgetary Highlights

Differences between the original operating budget and the final amended operating budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets –The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to nearly \$99.5 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects a increase of approximately \$3.5 million. This increase was a result of current year additions exceeding

current year depreciation. Additions were comprised primarily of construction in process related to the construction of the new school.

Additional information on the Town capital assets can be found in the notes to this report.

Long-Term Debt – The Town’s total general obligation bond and notes payable debt increased by nearly \$26 million to almost \$48.2 million. Additions to bonds and related premiums of \$28 million offset maturities and amortization of existing premiums of about \$2.0 million.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in the notes to this report.

Economic Factors and Next Year’s Budgets and Rates

- The Town’s real estate tax base is made up predominantly of residential taxes, which in setting the tax rate is typically 94% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy.
- The Town’s housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation
- The Town anticipates state aid for 2023 to remain relatively consistent with the prior year.

The above items were considered when the Town authorized its budget for fiscal year 2023 at the May 2022 Town Meeting. The Town’s tax rate for fiscal 2023 was set in December 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 173 Main Street, Groton, Massachusetts 01450.

TOWN OF GROTON, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 38,985,012	\$ 9,500,034	\$ 48,485,046
Investments	5,640,984	1,371,579	7,012,563
Receivables, net of allowance for uncollectibles:			
Property taxes	540,382	-	540,382
User fees	-	1,576,317	1,576,317
Betterments	-	84,100	84,100
Departmental and other	803,443	177,686	981,129
Intergovernmental	1,503,732	46,315	1,550,047
Tax foreclosures	45,590	-	45,590
Inventory	-	674,215	674,215
Prepaid items	-	93,122	93,122
Purchased power working capital	-	991,899	991,899
Capital assets, not being depreciated	36,144,909	3,559,390	39,704,299
Capital assets, net of depreciation	31,166,845	28,580,164	59,747,009
Net OPEB asset	-	199,656	199,656
Total Assets	114,830,897	46,854,477	161,685,374
Deferred Outflows of Resources			
Related to net pension liability	1,250,920	1,031,135	2,282,055
Related to net other postemployment benefits liability	3,408,548	712,292	4,120,840
Total Deferred Outflows of Resources	4,659,468	1,743,427	6,402,895
Current liabilities:			
Warrants and accounts payable	2,547,171	1,443,963	3,991,134
Accrued expenses	-	274,880	274,880
Accrued payroll and withholdings	94,524	-	94,524
Retainage payable	74,222	-	74,222
Other liabilities	38,395	448,587	486,982
Unearned revenue	944,626	-	944,626
Due to other governments	573,399	-	573,399
Short-term notes payable	1,866,160	7,483,799	9,349,959
Noncurrent liabilities:			
Due in one year or less	2,521,064	492,357	3,013,421
Due in more than one year	70,052,844	10,271,757	80,324,601
Total Liabilities	78,712,405	20,415,343	99,127,748
Deferred Inflows of Resources			
Related to net pension liability	4,056,258	604,609	4,660,867
Related to net other postemployment benefits liability	1,176,928	583,344	1,760,272
Other Light Department inflows	-	2,546,238	2,546,238
Total Deferred Inflows of Resources	5,233,186	3,734,191	8,967,377
Net investment in capital assets	48,648,180	28,250,452	76,898,632
Restricted for:			
Nonexpendable funds	19,966	-	19,966
Library trust funds	4,799,782	-	4,799,782
Community preservation	1,727,514	-	1,727,514
Other purposes	2,168,289	-	2,168,289
Unrestricted	(21,818,957)	(3,802,082)	(25,621,039)
Total Net Position	\$ 35,544,774	\$ 24,448,370	\$ 59,993,144

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 4,841,608	\$ 1,247,954	\$ 875,330	\$ -	\$ (2,718,324)		\$ (2,718,324)
Public safety	7,806,272	1,275,257	826,684	-	(5,704,331)		(5,704,331)
Education	25,093,438	-	-	2,844,451	(22,248,987)		(22,248,987)
Public works	3,364,621	357,062	-	737,341	(2,270,218)		(2,270,218)
Health and human services	1,175,736	11,816	155,253	-	(1,008,667)		(1,008,667)
Culture and recreation	2,005,212	741,695	593,011	-	(670,506)		(670,506)
Debt service	562,644	524	-	-	(562,120)		(562,120)
Total Governmental Activities	44,849,531	3,634,308	2,450,278	3,581,792	(35,183,153)		(35,183,153)
Business-Type Activities:							
Water	1,462,767	1,546,085	-	-		\$ 83,318	83,318
Sewer	1,091,014	816,093	-	103		(274,818)	(274,818)
Cable access	128,401	163,554	-	-		35,153	35,153
Stormwater drainage	181,459	222,213	-	-		40,754	40,754
Electric Light Department (December 31, 2020)	11,070,198	11,156,769	-	-		86,571	86,571
Total Primary Government	\$ 58,783,370	\$ 17,539,022	\$ 2,450,278	\$ 3,581,895	(35,183,153)	(29,022)	(35,212,175)
General Revenues:							
Real and personal property taxes					37,375,301	-	37,375,301
Motor vehicle and other excise					2,170,525	-	2,170,525
Grants and contributions not restricted to specific purposes					945,487	-	945,487
Penalties and interest on taxes					157,400	-	157,400
Unrestricted investment income (loss)					(41,968)	44,007	2,039
Transfers (net)					-	(34,000)	(34,000)
Total general revenues and transfers					40,606,745	10,007	40,616,752
Change in Net Position					5,423,592	(19,015)	5,404,577
Net Position							
Beginning of year, as restated					30,121,182	24,467,385	54,588,567
End of Year					\$ 35,544,774	\$ 24,448,370	\$ 59,993,144

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022

	General Fund	Community Preservation Act Fund	Library Trust Funds	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 8,176,831	\$ 1,727,514	\$ -	\$ 27,189,785	\$ 1,890,882	\$ 38,985,012
Investments	-	-	4,799,782	-	841,202	5,640,984
Receivables, net of allowance						
Property taxes	533,544	6,838	-	-	-	540,382
Excise taxes	220,399	-	-	-	-	220,399
Departmental, tax liens and other	457,791	6,278	-	-	118,975	583,044
Intergovernmental	-	-	-	1,127,936	375,796	1,503,732
Tax foreclosures	45,590	-	-	-	-	45,590
Total Assets	<u>9,434,155</u>	<u>1,740,630</u>	<u>4,799,782</u>	<u>28,317,721</u>	<u>3,226,855</u>	<u>47,519,143</u>
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 9,434,155</u>	<u>\$ 1,740,630</u>	<u>\$ 4,799,782</u>	<u>\$ 28,317,721</u>	<u>\$ 3,226,855</u>	<u>\$ 47,519,143</u>
Liabilities:						
Warrants and accounts payable	\$ 438,161	\$ -	\$ -	\$ 2,109,011	\$ -	\$ 2,547,172
Accrued payroll and withholdings	94,524	-	-	-	-	94,524
Retained payable	-	-	-	74,222	-	74,222
Other liabilities	38,395	-	-	-	-	38,395
Unearned revenue	-	-	-	-	944,625	944,625
Planning and performance bonds	573,399	-	-	-	-	573,399
Short-term notes payable	-	-	-	1,866,160	-	1,866,160
Total Liabilities	<u>1,144,479</u>	<u>-</u>	<u>-</u>	<u>4,049,393</u>	<u>944,625</u>	<u>6,138,497</u>
Deferred Inflows of Resources:						
Unearned revenue - property taxes	533,544	6,838	-	-	-	540,382
Unearned revenue - excise taxes	220,399	-	-	-	-	220,399
Unearned revenue - departmental and other	503,381	6,278	-	-	118,975	628,634
Total Deferred Inflows of Resources	<u>1,257,324</u>	<u>13,116</u>	<u>-</u>	<u>-</u>	<u>118,975</u>	<u>1,389,415</u>
Fund Balances:						
Nonspendable	-	-	-	-	19,966	19,966
Restricted	-	1,727,514	4,799,782	24,723,808	2,168,289	33,419,393
Committed	565,842	-	-	-	-	565,842
Assigned	706,027	-	-	-	-	706,027
Unassigned	5,760,483	-	-	(455,480)	(25,000)	5,280,003
Total Fund Balances	<u>7,032,352</u>	<u>1,727,514</u>	<u>4,799,782</u>	<u>24,268,328</u>	<u>2,163,255</u>	<u>39,991,231</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,434,155</u>	<u>\$ 1,740,630</u>	<u>\$ 4,799,782</u>	<u>\$ 28,317,721</u>	<u>\$ 3,226,855</u>	<u>\$ 47,519,143</u>

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances		\$ 39,991,231
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		67,311,754
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds.		1,389,415
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	1,250,920	
Deferred inflows related to net pension liability	(4,056,258)	
Deferred outflows related to net other postemployment benefits liability	3,408,548	
Deferred inflows related to net other postemployment benefits liability	(1,176,928)	
Net effect of reporting deferred outflows and inflows of resources		(573,718)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:		
Bonds and notes payable	(42,844,200)	
Unamortized bond premiums	(2,537,593)	
Landfill postclosure	(562,910)	
Compensated absences	(555,333)	
Net pension liability	(15,129,442)	
Net other postemployment benefits liability	(10,944,430)	
Net effect of reporting long-term liabilities		(72,573,908)
Net Position of Governmental Activities		<u>\$ 35,544,774</u>

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022

	General Fund	Community Preservation Act Fund	Library Trust Funds	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net	\$ 36,680,389	\$ 863,620	\$ -	\$ -	\$ -	\$ 37,544,009
Intergovernmental	1,066,140	524,219	-	3,476,342	1,779,245	6,845,946
Motor vehicle and other excises	2,196,725	-	-	-	1,276	2,198,001
Departmental and other revenue	2,187,559	-	-	-	922,443	3,110,002
License and permits	537,500	-	-	-	-	537,500
Penalties and interest on taxes	157,400	-	-	-	-	157,400
Fines and forfeitures	14,149	-	-	-	-	14,149
Investment income (loss)	19,027	9,239	(87,451)	-	1,725	(57,460)
Contributions and donations	-	-	-	-	132,113	132,113
Total Revenues	42,858,889	1,397,078	(87,451)	3,476,342	2,836,802	50,481,660
Expenditures:						
Current:						
General government	2,667,123	102,706	-	-	851,625	3,621,454
Public safety	4,854,591	-	-	559,303	766,129	6,180,023
Education	25,047,906	-	-	6,054,948	-	31,102,854
Public works	2,030,732	-	-	440,891	139,167	2,610,790
Health and human services	296,691	60,717	93,552	42,237	96,206	589,403
Culture and recreation	1,611,512	11,548	-	-	49,088	1,672,148
Pensions and other fringes	4,198,838	-	-	-	-	4,198,838
State and county tax assessments	97,077	-	-	-	-	97,077
Debt service:						
Principal	1,429,600	200,000	-	-	-	1,629,600
Interest expense	478,207	4,150	-	-	-	482,357
Total Expenditures	42,712,277	379,121	93,552	7,097,379	1,902,215	52,184,544
Excess (Deficiency) of Revenues Over (Under) Expenditures	146,612	1,017,957	(181,003)	(3,621,037)	934,587	(1,702,884)
Other Financing Sources (Uses):						
Proceeds from issuance of debt	-	-	-	25,985,000	-	25,985,000
Premium from issuance of bonds	-	-	-	2,038,748	-	2,038,748
Transfers in	577,083	-	-	523,957	350,000	1,451,040
Transfers out	(340,268)	(350,000)	-	-	(760,772)	(1,451,040)
Total Other Financing Sources (Uses)	236,815	(350,000)	-	28,547,705	(410,772)	28,023,748
Net Change in Fund Balances	383,427	667,957	(181,003)	24,926,668	523,815	26,320,864
Fund Balances - Beginning	6,648,925	1,059,557	4,980,785	(658,340)	1,639,440	13,670,367
Fund Balances - Ending	\$ 7,032,352	\$ 1,727,514	\$ 4,799,782	\$ 24,268,328	\$ 2,163,255	\$ 39,991,231

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 26,320,864**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	\$ 7,161,969	
Depreciation expense	(1,695,324)	
		5,466,645
Net effect of reporting capital assets		

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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Premium on bonds and notes	(2,023,256)	
Issuance of bonds and notes	(25,985,000)	
Amortization of premium on bonds and notes	119,713	
Principal payments of debt	1,429,600	
		(26,458,943)
Net effect of reporting long-term debt		

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds (224,029)

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:

Compensated absences, net	(13,808)	
Landfill postclosure	20,104	
Pension benefits	862,126	
Other postemployment benefits	(549,367)	
		319,055
Net effect of reporting long-term liabilities		

Change in Net Position of Governmental Activities **\$ 5,423,592**

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Cable Access Fund	Stormwater Drainage Fund	Electric Light Department (December 31, 2021)	
Assets:						
Current assets:						
Cash and cash equivalents	\$ 7,076,272	\$ 1,153,634	\$ 194,446	\$ 139,561	\$ 936,121	\$ 9,500,034
Investments	-	-	-	-	1,371,579	1,371,579
User fees, net of allowance	351,751	226,997	-	23,912	973,657	1,576,317
Other receivables	3,784	-	-	-	173,902	177,686
Intergovernmental receivables	45,609	706	-	-	-	46,315
Inventory	-	-	-	-	674,215	674,215
Purchased power working capital	-	-	-	-	991,899	991,899
Prepaid items	-	-	-	-	93,122	93,122
Total current assets	7,477,416	1,381,337	194,446	163,473	5,214,495	14,431,167
Noncurrent assets:						
Receivables, net:						
Betterments	-	84,100	-	-	-	84,100
Capital assets, not being depreciated	1,800,023	-	-	-	1,759,367	3,559,390
Capital assets, net of depreciation	11,346,006	4,492,452	-	-	12,741,706	28,580,164
Net other postemployment benefits asset	-	-	-	-	199,656	199,656
Total noncurrent assets	13,146,029	4,576,552	-	-	14,700,729	32,423,310
Total Assets	20,623,445	5,957,889	194,446	163,473	19,915,224	46,854,477
Deferred Outflows of Resources						
Related to net pension liability	57,963	13,404	22,751	-	937,017	1,031,135
Related to net other postemployment benefits liability	458,113	40,601	22,361	-	191,217	712,292
Total Deferred Outflows of Resources	516,076	54,005	45,112	-	1,128,234	1,743,427
Liabilities:						
Current liabilities:						
Warrants and accounts payable	16,566	12,674	240	2,627	1,411,856	1,443,963
Accrued expenses	-	-	-	-	274,880	274,880
Short-term notes payable	7,483,799	-	-	-	-	7,483,799
Bond and note indebtedness	353,559	30,400	-	-	103,013	486,972
Compensated absences	3,327	241	1,042	775	-	5,385
Total current liabilities	7,857,251	43,315	1,282	3,402	1,789,749	9,694,999
Noncurrent liabilities:						
Bond and note indebtedness	883,372	80,400	-	-	1,324,901	2,288,673
Compensated absences	29,942	2,170	9,376	6,975	-	48,463
Customer deposits and advances	-	-	-	-	311,471	311,471
Other liabilities	-	-	-	-	137,116	137,116
Other postemployment benefits	1,470,944	130,366	71,799	-	-	1,673,109
Net pension liability	701,037	162,119	275,165	-	5,123,191	6,261,512
Total noncurrent liabilities	3,085,295	375,055	356,340	6,975	6,896,679	10,720,344
Total Liabilities	10,942,546	418,370	357,622	10,377	8,686,428	20,415,343
Deferred Inflows of Resources						
Related to net pension liability	187,591	14,019	73,773	-	329,226	604,609
Related to net other postemployment benefits liability	158,181	43,465	7,721	-	373,977	583,344
Other light department inflows	-	-	-	-	2,546,238	2,546,238
Total Deferred Inflows of Resources	345,772	57,484	81,494	-	3,249,441	3,734,191
Net Position:						
Net investment in capital assets	10,795,641	4,381,652	-	-	13,073,159	28,250,452
Unrestricted	(944,438)	1,154,388	(199,558)	153,096	(3,965,570)	(3,802,082)
Total Net Position	\$ 9,851,203	\$ 5,536,040	\$ (199,558)	\$ 153,096	\$ 9,107,589	\$ 24,448,370

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Cable Access Fund	Stormwater Drainage Fund	Electric Light Department (December 31, 2021)	
Operating Revenues:						
Usage charges	\$ 1,476,983	\$ 816,093	\$ 163,554	\$ 222,213	\$ 10,645,095	\$ 13,323,938
Other fees	69,102	-	-	-	511,674	580,776
Total Operating Revenues	<u>1,546,085</u>	<u>816,093</u>	<u>163,554</u>	<u>222,213</u>	<u>11,156,769</u>	<u>13,904,714</u>
Operating Expenses:						
Operating costs	1,005,604	897,519	124,728	181,459	10,429,929	12,639,239
Depreciation	405,122	188,146	3,673	-	564,909	1,161,850
Total Operating Expenses	<u>1,410,726</u>	<u>1,085,665</u>	<u>128,401</u>	<u>181,459</u>	<u>10,994,838</u>	<u>13,801,089</u>
Total Operating Income	<u>135,359</u>	<u>(269,572)</u>	<u>35,153</u>	<u>40,754</u>	<u>161,931</u>	<u>103,625</u>
Nonoperating Income (Expenses):						
Intergovernmental	-	103	-	-	-	103
Interest income	37,029	7,589	1,176	951	(2,738)	44,007
Interest expense	(52,041)	(5,349)	-	-	(75,360)	(132,750)
Total Nonoperating Revenues (Expenses), net	<u>(15,012)</u>	<u>2,343</u>	<u>1,176</u>	<u>951</u>	<u>(78,098)</u>	<u>(88,640)</u>
Income (Loss) Before Transfers and Capital Contributions	<u>120,347</u>	<u>(267,229)</u>	<u>36,329</u>	<u>41,705</u>	<u>83,833</u>	<u>14,985</u>
Transfers out	-	-	-	-	(34,000)	(34,000)
Change in Net Position	<u>120,347</u>	<u>(267,229)</u>	<u>36,329</u>	<u>41,705</u>	<u>49,833</u>	<u>(19,015)</u>
Net Position - Beginning of year	<u>9,730,856</u>	<u>5,803,269</u>	<u>(235,887)</u>	<u>111,391</u>	<u>9,057,756</u>	<u>24,467,385</u>
Net Position - Ending	<u>\$ 9,851,203</u>	<u>\$ 5,536,040</u>	<u>\$ (199,558)</u>	<u>\$ 153,096</u>	<u>\$ 9,107,589</u>	<u>\$ 24,448,370</u>

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Fund	Sewer Fund	Cable Access Fund	Stormwater Drainage Fund	Electric Light Department (December 31, 2021)	
Cash Flows from Operating Activities:						
Receipts from users	\$ 1,512,767	\$ 945,976	\$ 163,554	\$ 210,818	\$ 10,924,905	\$ 13,758,020
Payments to vendors	(612,205)	(821,587)	(17,619)	(139,975)	(7,450,302)	(9,041,688)
Payments to employees and benefits	(249,703)	(116,911)	(162,222)	(31,330)	(2,521,359)	(3,081,525)
Rents from Electric Property	-	-	-	-	277,857	277,857
Payment in lieu of taxes	-	-	-	-	(34,000)	(34,000)
Net Cash Provided by (Used for) Operating Activities	650,859	7,478	(16,287)	39,513	1,197,101	1,878,664
Cash Flows from Capital and Related Financing Activities:						
Grant received from Commonwealth	2,686	268	-	-	-	2,954
Net transfers to depreciation fund	-	-	-	-	(100,000)	(100,000)
Net transfers from rate stabilization	-	-	-	-	-	-
Proceeds from issuance of short-term notes	6,296,121	-	-	-	-	6,296,121
Customer advances for construction	-	-	-	-	9,472	9,472
Acquisition and construction of capital assets	(1,069,426)	-	-	-	(870,302)	(1,939,728)
Principal payments on bonds	(342,202)	(30,400)	-	-	(95,000)	(467,602)
Principal payments on short-term notes	(39,090)	-	-	-	-	(39,090)
Interest paid	(52,041)	(5,349)	-	-	(75,835)	(133,225)
Net Cash Provided by (Used for) Capital and Related Financing Activities	4,796,048	(35,481)	-	-	(1,131,665)	3,628,902
Cash Flows from Investing Activities:						
Investment income	37,029	7,589	1,176	951	3,282	50,027
Net Cash Provided by (Used for) Investing Activities	37,029	7,589	1,176	951	3,282	50,027
Net Change in Cash and Cash Equivalents	5,483,936	(20,414)	(15,111)	40,464	68,718	5,557,593
Cash and Cash Equivalents:						
Beginning of year	1,592,336	1,174,048	209,557	99,097	530,117	3,605,155
End of year	\$ 7,076,272	\$ 1,153,634	\$ 194,446	\$ 139,561	\$ 598,835	\$ 9,162,748
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:						
Operating income (loss)	\$ 135,359	\$ (269,572)	\$ 35,153	\$ 40,754	\$ 161,931	\$ 103,625
Depreciation	405,122	188,146	3,673	-	564,909	1,161,850
Allowance for doubtful accounts	-	-	-	-	(265)	(265)
Indemnity reserve	-	-	-	-	157	157
Rate stabilization	-	-	-	-	(9,349)	(9,349)
Appropriation in lieu of taxes	-	-	-	-	(34,000)	(34,000)
Pension expense	-	-	-	-	841,310	841,310
OPEB expense (income)	-	-	-	-	(10,139)	(10,139)
Changes in assets and liabilities:						
Receivables (net)	(33,318)	129,883	-	(11,395)	51,827	136,997
Inventory	-	-	-	-	(129,617)	(129,617)
OPEB Asset	-	-	-	-	(34,817)	(34,817)
Prepaid items	-	-	-	-	(6,698)	(6,698)
Deferred outflows of resources	(149,321)	30,036	(3,437)	-	(457,581)	(580,303)
Deferred inflows of resources	52,894	23,385	(33)	-	-	76,246
Liabilities (net)	240,123	(94,400)	(51,643)	10,154	259,433	363,667
Net Cash Provided By (Used For) Operating Activities	\$ 650,859	\$ 7,478	\$ (16,287)	\$ 39,513	\$ 1,197,101	\$ 1,878,664
See accompanying notes to basic financial statements.						
Maintenance fund	\$ -	\$ -	\$ -	\$ -	\$ 361,035	\$ -
Customer deposits	-	-	-	-	237,800	-
See accompanying notes to basic financial statements.						

TOWN OF GROTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Other Postemployment Benefit Trust Fund Town Trust Fund	GELD Trust Fund	Private Purpose Trust Funds
Assets:			
Cash and cash equivalents	\$ 3,759	\$ -	\$ -
Investments (at fair value):			
Fixed income	275,668	-	2,250,592
Equities	488,861	-	15,269,562
Pooled investment fund	-	1,747,917	-
Total Investments	<u>764,529</u>	<u>1,747,917</u>	<u>17,520,154</u>
Total Assets	<u>768,288</u>	<u>1,747,917</u>	<u>17,520,154</u>
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Restricted for other postemployment benefits	768,288	1,747,917	-
Held in trust for private purposes	-	-	17,520,154
Total Net Position	<u>\$ 768,288</u>	<u>\$ 1,747,917</u>	<u>\$ 17,520,154</u>

See accompanying notes to basic financial statements.

TOWN OF GROTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefit Trust Fund Town Trust Fund	GELD Trust Fund	Private Purpose Trust Funds
Additions:			
Contributions:			
Employer	\$ 584,297	\$ -	\$ -
Other contributions and donations	-	-	14,827
Total contributions	<u>584,297</u>	<u>-</u>	<u>14,827</u>
Investment income:			
Investment income (loss)	(130,374)	203,790	(321,668)
Net investment earnings	(130,374)	203,790	(321,668)
Total Additions	<u>453,923</u>	<u>203,790</u>	<u>(306,841)</u>
Deductions:			
Scholarships	-	-	5,675
Public assistance	-	-	204,910
Benefit payments to retirees and beneficiaries	407,202	13,718	-
Total Deductions	<u>407,202</u>	<u>13,718</u>	<u>210,585</u>
Change in Net Position	46,721	190,072	(517,426)
Net Position - Beginning of Year	<u>721,567</u>	<u>1,557,845</u>	<u>18,037,580</u>
Net Position - Ending of Year	<u><u>\$ 768,288</u></u>	<u><u>\$ 1,747,917</u></u>	<u><u>\$ 17,520,154</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF GROTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Groton, Massachusetts (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town, which was incorporated in 1655, is located in northwestern Middlesex County, approximately thirty miles northwest of the City of Boston. The governing structure utilizes an open town meeting with an elected five-member Select Board and an appointed Town Manager, who performs and oversees the Town’s daily executive and administrative duties. Select Board serve staggered three-year terms.

The Town provides governmental services for the territory within its boundaries, including public safety, education through a regional school district, public works, health and human services, culture and recreation, general governmental services, water, sewer, stormwater drainage, and electricity. The water, sewer, stormwater drainage and electricity services are funded through user charges and treated as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

Joint Venture – The Town has entered into a joint venture with the Town of Dunstable, Massachusetts to pool resources and share the costs, risks and rewards of providing education services through the Groton-Dunstable Regional School District (GDRSD). This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s share of the operating and debt service expenses was \$24,240,432. There is no equity interest reported in these financial statements. Stand-alone financial statements for the year ended June 30, 2022 are available at the Groton-Dunstable Regional School Town, PO Box 729, 145 Main Street, Groton, Massachusetts 01450.

In addition, the Town is a member community of the Nashoba Valley Technical High School. This joint venture assesses each of the nine-member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town’s share of operating and debt service expenses was \$807,474. Complete audited financial statements can be obtained directly from the District’s administrative office located at 100 Littleton Road, Westford, MA 01886.

The Town does not have any equity interest in either of the joint ventures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element for all funds of that category or type, and
- 2) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal 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 given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are 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, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Act Fund – is used to account for funds received in accordance with the Massachusetts Community Preservation Act. Funds are used to acquire or develop open space and recreational facilities, preservation of historic resources and affordable housing.

Capital Projects Funds – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Library Trust Funds – is used to account for the balances and activities of trust money bequeathed to the Town’s Library.

Nonmajor Governmental Funds – consist of other special revenue 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:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds - are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Cable Access Enterprise Fund – accounts for cable television licensing and access revenue initially collected by cable service providers on-behalf of the Town, to finance costs associated with oversight of the providers and maintaining the related supporting infrastructure.

Stormwater Drainage Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the stormwater drainage management activities are processed.

Groton Electric Light Department (GELD) – is used to account for user charges collected to finance costs associated with the Town's electrical power distribution activities to residences and businesses.

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

The Town reports the following fiduciary funds:

Town Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

GELD Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Electric Light Department to assist it in its future payments of other postemployment benefits for retirees such as health and life insurance.

Private Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. This fund is used primarily for public assistance.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes, sewer, water and user fees are secured through a lien process after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental receivables are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items – In the case of the Town, inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. With respect to the GELD, materials and supplies are inventories of parts and accessories purchased for use in GELD’s operations. Materials and supplies inventory are stated at the lower of cost or market with cost being determined on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g. roads, sidewalks, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated by the Town and the GELD on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Land improvements	20 - 40 years
Buildings and improvements	20 - 50 years
Vehicles, machinery and equipment	5 - 15 years
Infrastructure	40 - 50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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 in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

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 state law. Investment income of the proprietary and permanent funds is retained in the funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town has two types of items that are reported on the government-wide statement of net position. These relate to outflows from changes in the net pension and net other postemployment benefits liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four types of items which qualify for reporting in this category. The first arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes, and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension, net other postemployment benefit liabilities and unavailable Light Department revenues. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection B.

Net Position – In the government-wide financial statements, 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 related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in a trust whereby expenditures are subject to various trust agreements.

Library trust funds represent assets that have restrictions placed on them from benefactors and may only be used for support of the Town library’s financial needs.

Community preservation act funds represent assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

Other purposes represent assets that are restricted by Federal and State laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Town’s highest level of decision-making authority, which is the Town Meeting action, and can be modified or rescinded on through these actions.

Assigned represents amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. At June 30, 2022, the Town reported a balance in its stabilization fund of \$2,090,978, which is reported as unassigned in the general fund.

The Town maintains a capital stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any capital purpose upon a two-thirds vote of the Town Meeting. At June 30, 2022, the Town reported a balance in its capital stabilization fund of \$566,991, which is reported as unassigned in the general fund.

The Town maintains a regional school district capital stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any special education purpose upon a two-thirds vote of the Town Meeting. At June 30, 2022, the Town reported a balance in its special education stabilization fund of \$579,744, which is reported as unassigned in the general fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchases made or to be made resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$86,979 of encumbrances from normal purchasing activity in the general fund as assigned and \$565,842 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

The following table reflects the Town’s fund equity categorizations:

	General Fund	Community Preservation Act Fund	Library Trust Funds	Capital Projects Funds	Nonmajor Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 19,966	\$ 19,966
Restricted:						
General government	-	940,040	-	-	919,629	1,859,669
Public safety	-	-	-	-	501,274	501,274
Education	-	-	-	24,521,380	-	24,521,380
Public works	-	-	-	-	31,619	31,619
Health and human services	-	510,259	-	-	203,496	713,755
Culture and recreation	-	277,215	4,799,782	-	512,271	5,589,268
Other Capital outlay	-	-	-	202,428	-	202,428
Committed:						
General government	40,000	-	-	-	-	40,000
Public safety	330,869	-	-	-	-	330,869
Public works	124,973	-	-	-	-	124,973
Culture and recreation	70,000	-	-	-	-	70,000
Assigned:						
General government	29,825	-	-	-	-	29,825
Public safety	31,013	-	-	-	-	31,013
Public works	20,398	-	-	-	-	20,398
Health and human services	2,048	-	-	-	-	2,048
Culture and recreation	3,640	-	-	-	-	3,640
Personnel and fringe benefits	55	-	-	-	-	55
Subsequent year's budget	619,048	-	-	-	-	619,048
Unassigned	5,760,483	-	-	(455,480)	(25,000)	5,280,003
Totals	<u>\$ 7,032,352</u>	<u>\$ 1,727,514</u>	<u>\$ 4,799,782</u>	<u>\$24,268,328</u>	<u>\$ 2,163,255</u>	<u>\$ 39,991,231</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred individual fund deficits of \$25,000; and \$455,480 in the Nonmajor governmental funds and Capital Projects Major Fund, respectively, at year end. These deficits will be funded through bond proceeds and grants in future fiscal years. The Town also incurred a snow and ice deficit in the General Fund of \$161,468 which will be funded with future revenue.

F. Use of Estimates

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 fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits 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 trust funds are held separately from those of other funds. State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the "Pool").

In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2022:

Investments by fair value level	6/30/22	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Debt securities:</u>				
U.S. government obligations	\$ 3,941,346	\$ 2,164,301	\$ 1,777,045	\$ -
Corporate fixed income securities	3,002,735	-	3,002,735	-
Fixed income mutual funds	710,930	-	710,930	-
Negotiable certificates of deposit	511,940	-	511,940	-
Total debt securities	8,166,951	2,164,301	6,002,650	-
<u>Equity securities:</u>				
Common stock	15,269,562	15,269,562	-	-
Equity mutual funds	489,153	489,153	-	-
Total equity securities	15,758,715	15,758,715	-	-
Total investments by fair value level	23,925,666	\$ 17,923,016	\$ 6,002,650	\$ -
<u>Investments measured at amortized cost</u>				
State Treasurer investment pool (MMDT)	2,651,828			
Money market mutual funds	1,902,789			
Total investments measured at fair value	\$ 28,480,283			

Debt and equity classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued based on matrix pricing based on the securities' relationship to benchmark quoted prices.

The Town had the following investments with maturities at June 30, 2022:

Investment Type	Fair Value	Time Until Maturity (Years)		
		Less Than 1	1-5	6-10
U.S. government obligations	\$ 3,941,346	\$ 972,557	\$ 1,733,182	\$ 1,235,607
Corporate fixed income securities	3,002,735	267,462	2,647,234	88,039
Fixed income mutual funds	710,930	710,930	-	-
State Treasurer investment pool (MMDT)	2,651,828	2,651,828	-	-
Certificates of deposit	511,940	366,108	145,832	-
Total Town investments with maturities	10,818,779	\$ 4,968,885	\$ 4,526,248	\$ 1,323,646
<i>Other investments</i>				
Equities common stock	15,269,562			
Equities mutual fund	489,153			
Money market mutual funds	1,902,789			
Total Town investments without maturities	17,661,504			
Total Investments	28,480,283			

The following table presents the Light Department’s investments carried at fair value on a recurring basis in the statement of net position at December 31, 2021:

	12/31/21	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Equity securities:</u>				
Common stock	\$ 8,256	\$ 8,256	\$ -	\$ -
Total equity securities	8,256	8,256	-	-
Total investments by fair value level	8,256	\$ 8,256	\$ -	\$ -
<u>Investments measured at amortized cost</u>				
External investment pool (MMWEC)	1,747,917			
External investment pool (other)	1,363,323			
Total investments measured at fair value	\$ 3,119,496			

The Light Department categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). 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.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At year-end, the carrying amount of all the Town’s deposits (excluding the Light Department) was \$43,293,386 and bank balance was \$44,419,894. The full bank balance was covered by either the Federal Depository Insurance Corporation (FDIC), the Depositors’ Insurance Fund (DIF) or collateralization agreements.

At December 31, 2021 the Light Department had a bank balance was \$381,948 that was subject to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town’s investments in United States governmental obligations are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town does not have a formal investment policy related to custodial credit risk.

Interest Rate Risk: Deposits– This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits

investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town’s investments had the following ratings at year end:

Quality Ratings (S&P)	Corporate Fixed Income	U.S. Government Agencies & Treasuries	Fixed Income Mutual Funds	Certificates of Deposit	State Treasurer Investment Pool	Totals
AAA	\$ -	\$ 3,941,346	\$ -	\$ -	\$ -	\$ 3,941,346
A+	536,013	-	-	-	-	536,013
A	366,676	-	-	-	-	366,676
A-	254,164	-	-	-	-	254,164
BBB+	843,671	-	-	-	-	843,671
BBB	1,002,211	-	-	-	-	1,002,211
Not rated	-	-	710,930	511,940	2,651,828	3,874,698
Totals - All	\$ 3,002,735	\$ 3,941,346	\$ 710,930	\$ 511,940	\$ 2,651,828	\$ 10,818,779

B. Receivables

Receivables as of year-end for the Town’s individual major governmental funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 533,544	\$ -	\$ 533,544
Tax titles and deferrals	457,791	-	457,791
Motor vehicle excise taxes	220,399	-	220,399
Departmental and other	13,116	-	13,116
Ambulance	186,114	(67,139)	118,975
Intergovernmental grants	1,503,732	-	1,503,732
Total	\$ 2,914,696	\$ (67,139)	\$ 2,847,557

Receivables as of year-end for the Town’s proprietary funds (the GELD’s activity is for the year ended December 31, 2021) are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charges	\$ 355,535	\$ -	\$ 355,535
Sewer user charges	226,997	-	\$ 226,997
Stormwater drainage user charges	23,912	-	23,912
Electric light user charges	976,706	(3,049)	973,657
Electric light other receivables	173,902	-	173,902
Intergovernmental	46,315	-	46,315
Total	\$ 1,803,367	\$ (3,049)	\$ 1,800,318

Massachusetts Clean Water Trust – The Town has entered into multiple loan agreements with the Massachusetts Clean Water Trust (MCWT). It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$49,167 and interest in the amount of \$70,060 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, receivables totaling \$45,609 and \$706 has been reported in the Water Enterprise Fund and Sewer Enterprise Fund, respectively.

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Other Governmental Funds	Net Amount
Receivables and other asset type:			
Real estate and personal property taxes	\$ 533,544	\$ 6,838	\$ 540,382
Tax titles and deferrals	457,791	6,278	464,069
Excise	220,399	-	220,399
Ambulance fees	-	118,975	118,975
Tax foreclosures	45,590	-	45,590
Total	<u>\$ 1,257,324</u>	<u>\$ 132,091</u>	<u>\$ 1,389,415</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended June 30, 2022, is as follows:

Transfers Out	Transfers In			Total
	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 163,174	\$ -	\$ 163,174 ⁽¹⁾
Nonmajor Governmental Funds	473,578	360,783	350,000	1,184,361 ⁽²⁾
Total	<u>\$ 473,578</u>	<u>\$ 523,957</u>	<u>\$ 350,000</u>	<u>\$ 1,347,535</u>

(1) Transfers to the Capital Projects Fund for BAN paydowns and project funding.

(2) Transfers to the General Fund for operations, Capital Projects for communication towers and fire engine, and Nonmajor Fund for conservation projects.

D. Capital Assets

Capital asset activity for the year ended June 30, 2022 (the GELD's activity is for the year ended December 31, 2021) is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 30,073,750	\$ -	\$ -	\$ 30,073,750
Construction in process	16,211	6,054,948	-	6,071,159
Total capital assets not being depreciated	30,089,961	6,054,948	-	36,144,909
Capital assets being depreciated:				
Buildings and improvements	26,984,281	559,008	-	27,543,289
Land improvements	1,057,686	-	-	1,057,686
Infrastructure	21,904,066	-	-	21,904,066
Machinery and equipment	3,898,192	61,800	-	3,959,992
Vehicles	6,974,427	486,213	-	7,460,640
Total capital assets being depreciated	60,818,652	1,107,021	-	61,925,673
Less accumulated depreciation for:				
Buildings and improvements	(8,881,173)	(681,941)	-	(9,563,114)
Land improvements	(788,402)	(48,495)	-	(836,897)
Infrastructure	(12,590,060)	(317,034)	-	(12,907,094)
Machinery and equipment	(2,490,642)	(164,543)	-	(2,655,185)
Vehicles	(4,313,227)	(483,311)	-	(4,796,538)
Total accumulated depreciation	(29,063,504)	(1,695,324)	-	(30,758,828)
Total capital assets being depreciated, net	31,755,148	(588,303)	-	31,166,845
Total governmental activities capital assets, net	<u>\$ 61,845,109</u>	<u>\$ 5,466,645</u>	<u>\$ -</u>	<u>\$ 67,311,754</u>
<u>Business-type Activities - All:</u>				
Capital assets not being depreciated:				
Land	\$ 1,948,599	\$ -	\$ -	\$ 1,948,599
Construction in process	266,957	1,421,907	(78,073)	1,610,791
Total capital assets not being depreciated	2,215,556	1,421,907	(78,073)	3,559,390
Capital assets being depreciated:				
Buildings and improvements	2,623,388	-	-	2,623,388
Infrastructure	45,900,620	595,894	(388,059)	46,108,455
Machinery and equipment	646,169	-	-	646,169
Vehicles	121,194	-	-	121,194
Total capital assets being depreciated	49,291,371	595,894	(388,059)	49,499,206
Less accumulated depreciation for:				
Buildings and improvements	(835,754)	(52,814)	-	(888,568)
Infrastructure	(18,544,878)	(1,125,748)	388,059	(19,282,567)
Machinery and equipment	(629,530)	(12,317)	-	(641,847)
Vehicles	(97,881)	(8,179)	-	(106,060)
Total accumulated depreciation	(20,108,043)	(1,199,058)	388,059	(20,919,042)
Total capital assets being depreciated, net	29,183,328	(603,164)	-	28,580,164
Total business-type activities capital assets, net	<u>\$ 31,398,884</u>	<u>\$ 818,743</u>	<u>\$ (78,073)</u>	<u>\$ 32,139,554</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Water</u></i>				
Capital assets not being depreciated:				
Land	\$ 730,597	\$ -	\$ -	\$ 730,597
Construction in process	-	1,069,426	-	1,069,426
Total capital assets not being depreciated	<u>730,597</u>	<u>1,069,426</u>	<u>-</u>	<u>1,800,023</u>
Capital assets being depreciated:				
Buildings and improvements	2,623,388	-	-	2,623,388
Infrastructure	17,454,389	-	-	17,454,389
Machinery and equipment	540,741	-	-	540,741
Vehicles	121,194	-	-	121,194
Total capital assets being depreciated	<u>20,739,712</u>	<u>-</u>	<u>-</u>	<u>20,739,712</u>
Less accumulated depreciation for:				
Buildings and improvements	(835,754)	(52,814)	-	(888,568)
Infrastructure	(7,527,173)	(335,486)	-	(7,862,659)
Machinery and equipment	(527,775)	(8,644)	-	(536,419)
Vehicles	(97,881)	(8,179)	-	(106,060)
Total accumulated depreciation	<u>(8,988,583)</u>	<u>(405,123)</u>	<u>-</u>	<u>(9,393,706)</u>
Total capital assets being depreciated, net	<u>11,751,129</u>	<u>(405,123)</u>	<u>-</u>	<u>11,346,006</u>
Total Water capital assets, net	<u>\$ 12,481,726</u>	<u>\$ 664,303</u>	<u>\$ -</u>	<u>\$ 13,146,029</u>
<i><u>Business-type Activities: Sewer</u></i>				
Capital assets being depreciated:				
Infrastructure	8,375,701	-	-	8,375,701
Total capital assets being depreciated	<u>8,375,701</u>	<u>-</u>	<u>-</u>	<u>8,375,701</u>
Less accumulated depreciation for:				
Infrastructure	(3,695,103)	(188,146)	-	(3,883,249)
Total accumulated depreciation	<u>(3,695,103)</u>	<u>(188,146)</u>	<u>-</u>	<u>(3,883,249)</u>
Total capital assets being depreciated, net	<u>4,680,598</u>	<u>(188,146)</u>	<u>-</u>	<u>4,492,452</u>
Total Sewer capital assets, net	<u>\$ 4,680,598</u>	<u>\$ (188,146)</u>	<u>\$ -</u>	<u>\$ 4,492,452</u>
<i><u>Business-type Activities: Cable</u></i>				
Capital assets being depreciated:				
Machinery and equipment	105,428	-	-	105,428
Total capital assets being depreciated	<u>105,428</u>	<u>-</u>	<u>-</u>	<u>105,428</u>
Less accumulated depreciation for:				
Machinery and equipment	(101,755)	(3,673)	-	(105,428)
Total accumulated depreciation	<u>(101,755)</u>	<u>(3,673)</u>	<u>-</u>	<u>(105,428)</u>
Total capital assets being depreciated, net	<u>3,673</u>	<u>(3,673)</u>	<u>-</u>	<u>-</u>
Total Sewer capital assets, net	<u>\$ 3,673</u>	<u>\$ (3,673)</u>	<u>\$ -</u>	<u>\$ -</u>

Business-type Activities: Electric Light

Capital assets not being depreciated:

Land	1,218,002	-	-	1,218,002
Construction in process	266,957	352,481	(78,073)	541,365
Total capital assets not being depreciated	<u>1,484,959</u>	<u>352,481</u>	<u>(78,073)</u>	<u>1,759,367</u>

Capital assets being depreciated:

Infrastructure	20,070,530	595,894	(388,059)	20,278,365
Total capital assets being depreciated	<u>20,070,530</u>	<u>595,894</u>	<u>(388,059)</u>	<u>20,278,365</u>

Less accumulated depreciation for:

Infrastructure	(7,322,602)	(602,116)	388,059	(7,536,659)
Total accumulated depreciation	<u>(7,322,602)</u>	<u>(602,116)</u>	<u>388,059</u>	<u>(7,536,659)</u>

Total capital assets being depreciated, net	<u>12,747,928</u>	<u>(6,222)</u>	<u>-</u>	<u>12,741,706</u>
Total Electric Light capital assets, net	<u>\$ 14,232,887</u>	<u>\$ 346,259</u>	<u>\$ (78,073)</u>	<u>\$ 14,501,073</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 154,944
Public safety	782,228
Education	45,532
Public works	409,950
Health and human services	186,194
Culture and recreation	116,476
Total Governmental Activities	<u>\$ 1,695,324</u>

Business-type Activities:

Water	\$ 405,123
Sewer	188,146
Cable access	3,673
Electric light	<u>602,116</u>
Total Business-type Activities	<u>\$ 1,199,058</u>

E. Purchased Power Working Capital

The GELD is a member and participant of the Massachusetts Municipal Wholesale Electric Company (“MMWEC”). The purchased power working capital is an amount held by MMWEC as an escrow. The purchased power working capital fund is replenished as needed from the GELD’s monthly invoice payments. The income earned from the purchased power working capital fund applicable to the GELD’s deposit is applied as a credit to MMWEC’s power sales billings. The balance in the fund as of December 31, 2021 is \$991,899.

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue (“RANS”) or tax anticipation notes (“TANS”).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes (“GANS”). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The Town’s temporary borrowing activity for fiscal year 2022 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
<i>Governmental Activities</i>						
BAN	0.44%	Matured	\$ 438,960	\$ -	\$ (438,960)	\$ -
BAN	1.00%	Matured	185,000	-	(185,000)	-
BAN	2.00%	02/17/23	-	1,681,160	-	1,681,160
BAN	2.50%	06/23/23	-	185,000	-	185,000
<i>Total Governmental Notes</i>			<u>623,960</u>	<u>1,866,160</u>	<u>(623,960)</u>	<u>1,866,160</u>
<i>Business-type Activities - Water</i>						
BAN	0.44%	Matured	204,670	-	(204,670)	-
BAN	1.00%	Matured	1,022,300	-	(1,022,300)	-
BAN	2.00%	02/17/23	-	6,461,499	-	6,461,499
BAN	2.50%	06/23/23	-	1,022,300	-	1,022,300
<i>Total Business-Type Notes - Sewer</i>			<u>1,226,970</u>	<u>7,483,799</u>	<u>(1,226,970)</u>	<u>7,483,799</u>
Total Short Term Notes Payable			<u>\$ 1,850,930</u>	<u>\$ 9,349,959</u>	<u>\$ (1,850,930)</u>	<u>\$ 9,349,959</u>

Governmental activities BAN’s outstanding at year-end were issued for: Police radios (\$253,764), Highway dump truck (\$185,000), Middle school truck (\$1,405,374), and Highway equipment (\$22,022). Business-type activities – Water project BAN’s were issued for: Whitney Pond Well (\$1,165,378), Whitney Pond Manganese (\$722,300), and Water Treatment Facility (\$5,596,121).

G. Long-Term Obligations

Bond and Note Indebtedness - The Town issues general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities and equipment. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes, such as debt when issued is designated as being “outside the debt limit”.

Authorized and Unissued Debt - At June 30, 2022, the Town had authorized and unissued debt for the following:

<u>Description</u>	<u>Authorized & Unissued</u>
<i>Governmental:</i>	
Senior Center Construction	\$ 86,000
Elem. School New Const. - Track	1,000,000
Elem. School New Const. - Flo-Ro	46,973,537
High School Field Restoration	50,000
Whitney Pond Well	700,000
Whitney Well Water Facility	4,485,879
Fire Engine Replacement	800,000
Total Authorized and Unissued	<u>\$ 54,095,416</u>

The following reflects the current year activity (the GELD's activity is for the year ended December 31, 2021) in the long-term liability accounts:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
<i>Governmental Activities:</i>					
General obligation bonds	\$ 18,245,000	\$ 25,985,000	\$ (1,415,000)	\$ 42,815,000	\$ 2,195,000
Unamortized bond premiums	634,050	2,023,256	(119,713)	2,537,593	235,827
Notes from direct borrowings and placements	43,800	-	(14,600)	29,200	14,600
Capital lease obligations	-	-	-	-	-
Landfill post-closure	583,014	-	(20,104)	562,910	20,104
Compensated absences	541,525	67,961	(54,153)	555,333	55,533
Net pension liability	19,341,661	2,264,554	(6,476,773)	15,129,442	-
Net other postemployment benefits liability	7,742,618	4,885,558	(1,683,746)	10,944,430	-
Total Governmental Activities	<u>\$ 47,131,668</u>	<u>\$ 35,226,329</u>	<u>\$ (9,784,089)</u>	<u>\$ 72,573,908</u>	<u>\$ 2,521,064</u>
<i>Business-Type Activities - Water:</i>					
Notes from direct borrowings and placements	\$ 1,579,133	\$ -	\$ (342,202)	\$ 1,236,931	\$ 353,559
Compensated absences	28,381	7,726	(2,838)	33,269	3,327
Net pension liability	896,215	104,930	(300,108)	701,037	-
Net other postemployment benefits liability	1,040,617	656,625	(226,297)	1,470,945	-
Total Water	<u>3,544,346</u>	<u>769,281</u>	<u>(871,445)</u>	<u>3,442,182</u>	<u>356,886</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	125,000	-	(25,000)	100,000	25,000
Notes from direct borrowings and placements	16,200	-	(5,400)	10,800	5,400
Compensated absences	9,428	8,693	(7,960)	10,161	1,016
Net pension liability	207,254	24,266	(69,401)	162,119	-
Net other postemployment benefits liability	92,227	58,195	(20,056)	130,366	-
Total Sewer	<u>450,109</u>	<u>91,154</u>	<u>(127,817)</u>	<u>413,446</u>	<u>31,416</u>
<i>Business-Type Activities - Cable Access:</i>					
Compensated absences	5,953	5,060	(595)	10,418	1,042
Net pension liability	351,774	41,186	(117,795)	275,165	-
Net other postemployment benefits liability	50,794	32,051	(11,046)	71,799	-
Total Cable Access	<u>408,521</u>	<u>78,297</u>	<u>(129,436)</u>	<u>357,382</u>	<u>1,042</u>
<i>Business-Type Activities - Electric Light:</i>					
General obligation bonds	1,485,000	-	(95,000)	1,390,000	(100,000)
Unamortized bond premiums	40,927	-	(3,013)	37,914	3,013
Net pension liability	5,314,433	1,137,366	(1,328,608)	5,123,191	-
Total Electric Light	<u>6,840,360</u>	<u>1,137,366</u>	<u>(1,426,621)</u>	<u>6,551,105</u>	<u>(96,987)</u>
Total Business-type Activities	<u>\$ 11,243,336</u>	<u>\$ 2,076,098</u>	<u>\$ (2,555,319)</u>	<u>\$ 10,764,115</u>	<u>\$ 292,357</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the water, sewer, cable access, and GELD enterprise funds.

The following is a summary of outstanding long-term obligations as of June 30, 2022 (the GELD's activity is for the year ended December 31, 2021):

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 17,830,000	\$ 25,985,000	\$ (1,205,000)	\$ 42,610,000
Refunding Bonds	2.00 - 3.00%	415,000	-	(210,000)	205,000
Total General Obligation Bonds		18,245,000	25,985,000	(1,415,000)	42,815,000
Unamortized bond premiums		634,050	2,023,256	(119,713)	2,537,593
Total General Obligation Bonds, net		18,879,050	28,008,256	(1,534,713)	45,352,593
Massachusetts Clean Water Trust	2.00%	43,800	-	(14,600)	29,200
Total notes from direct borrowings and placements		43,800	-	(14,600)	29,200
Total Governmental Activities Debt		\$ 18,922,850	\$ 28,008,256	\$ (1,549,313)	\$ 45,381,793
<i>Business-Type Activities - Water</i>					
Massachusetts Clean Water Trust	2.00%	\$ 1,579,133	\$ -	\$ (342,202)	\$ 1,236,931
Total notes from direct borrowings and placements		1,579,133	-	(342,202)	1,236,931
Total Water Debt		1,579,133	-	(342,202)	1,236,931
<i>Business-Type Activities - Sewer</i>					
General Obligation Bonds	4.00 - 5.00%	125,000	-	(25,000)	100,000
Total General Obligation Bonds		125,000	-	(25,000)	100,000
Massachusetts Clean Water Trust	2.00%	16,200	-	(5,400)	10,800
Total notes from direct borrowings and placements		16,200	-	(5,400)	10,800
Total Sewer Debt		141,200	-	(30,400)	110,800
<i>Business-Type Activities - Electric Light</i>					
General Obligation Bonds	2.00 - 3.25%	1,485,000	-	(95,000)	1,390,000
Total General Obligation Bonds		1,485,000	-	(95,000)	1,390,000
Unamortized bond premiums		40,927	-	(3,013)	37,914
Total General Obligation Bonds, net		1,525,927	-	(98,013)	1,427,914
Total Electric Light Debt		1,525,927	-	(98,013)	1,427,914
Total Business-type Activities Debt		\$ 3,246,260	\$ -	\$ (470,615)	\$ 2,775,645

MCWT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MCWT. It is expected that the Town will be subsidized by MCWT on a periodic basis for principal in the amount of \$45,609 and interest in the amount of \$36,007 until the maturity of these agreements.

Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

Governmental Activities

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 2,195,000	\$ 1,391,539	\$ 14,600	\$ 751
2024	2,010,000	1,493,316	14,600	-
2025	2,165,000	1,412,615	-	-
2026	2,185,000	1,324,640	-	-
2027	2,320,000	1,224,266	-	-
2028-2032	11,240,000	4,680,135	-	-
2033-2037	9,620,000	2,748,760	-	-
2038-2042	7,355,000	1,360,921	-	-
2043-2047	3,725,000	447,000	-	-
Total	<u>\$42,815,000</u>	<u>\$16,083,192</u>	<u>\$ 29,200</u>	<u>\$ 751</u>

Business-type Activities - Water

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ -	\$ -	\$ 353,559	\$ 34,191
2024	-	-	364,945	17,743
2025	-	-	371,358	3,655
2026	-	-	72,799	2,214
2027	-	-	74,270	743
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,236,931</u>	<u>\$ 58,546</u>

Business-type Activities - Sewer

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 25,000	\$ 4,048	\$ 5,400	\$ 267
2024	25,000	2,718	5,400	-
2025	25,000	1,640	-	-
2026	25,000	547	-	-
	<u>\$ 100,000</u>	<u>\$ 8,953</u>	<u>\$ 10,800</u>	<u>\$ 267</u>

Business-type Activities - Electric Light

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2022	\$ 100,000	\$ 43,000	\$ -	\$ -
2023	100,000	40,000	-	-
2024	105,000	37,000	-	-
2025	105,000	33,850	-	-
2026	110,000	30,700	-	-
2027-2031	605,000	101,588	-	-
2032-2033	265,000	13,001	-	-
	<u>\$ 1,390,000</u>	<u>\$ 299,139</u>	<u>\$ -</u>	<u>\$ -</u>

III. Other Information

A. Retirement System

Plan Description – The Town and GELD contribute to the Middlesex County Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Middlesex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2021, were issued and may be obtained by writing to the Middlesex County Regional Retirement System, 25 Linnell Circle, Billerica, Massachusetts 01865.

Membership – Membership in the System as of December 31, 2021, was as follows:

Retired employee members and beneficiaries	
currently receiving benefits	9,432
Inactive members entitled to a return on their contributions	3,581
Inactive members with a vested right to a deferred or immediate benefit	403
Active employee members	<u>9,432</u>
Total	<u>22,848</u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. 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 directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the Federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular

compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$2,385,255 to the System in fiscal year 2022, which was the actuarially determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll was approximately 29.0% in fiscal year 2022. GELD amounts are included in the above amounts but are as of December 31, 2021 therefore totals may not agree in all situations.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$16,267,763 for its proportionate share of the net pension liability and GELD reported a liability of \$5,123,191 which was as of December 31, 2021. The net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were updated by the independent actuary as of December 31, 2021. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the System relative to the projected contributions of all employers. The Town’s proportion was approximately 1.4% at December 31, 2021.

Pension Expense – The Town recognized \$1,089,898 in pension expense in the statement of activities in fiscal year 2022 and GELD recognized \$841,310 for the year ended December 31, 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022 for the Town, and December 31, 2021 for GELD deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were recorded:

	Town		GELD	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277,243	\$ -	\$ 93,701	\$ 6,063
Changes of assumptions	579,239	-	195,571	-
Net difference between projected and actual earnings	488,556	2,765,976	-	290,426
Changes in proportion differences	-	1,595,470	407,867	32,737
Contributions made subsequent to the measurement date	-	-	239,878	-
	<u>\$ 1,345,038</u>	<u>\$ 4,361,446</u>	<u>\$ 937,017</u>	<u>\$ 329,226</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

	Town		GELD
	June 30		December 31
2023	\$ (421,050)	2022	\$ 260,867
2024	(763,188)	2023	34,768
2025	(997,969)	2024	36,203
2026	(834,201)	2025	36,075
2027	-	2026	-
Total	<u>\$(3,016,408)</u>	Total	<u>\$ 367,913</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Town and 7.30% for GELD. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the System'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.

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The significant actuarial assumptions used in the January 1, 2022 actuarial valuation included:

Investment rate of return	7.15%
Discount rate	7.15%
Inflation	3.25%
Salary increases	4.00% - 4.50%
Pre-retirement mortality	General: RP-2014 Blue Collar healthy annuitants projected generationally using Scale MP-2021;
Post-retirement mortality	General: RP-2014 Blue Collar healthy annuitants projected generationally using Scale MP-2021;
Disabled mortality	General: RP-2014 Blue Collar healthy annuitants projected generationally using Scale MP-2021;
Actuarial cost method	Entry age normal - Level percentage of payroll

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each

major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic equity - large cap	22.00%	6.11%
International equity - developed market	11.50%	6.49%
International equity - emerging market	4.50%	8.12%
Core fixed income	15.00%	0.38%
High yield fixed income	8.00%	2.48%
Real estate	10.00%	3.72%
Timber	4.00%	3.44%
Hedge funds, GTAA, risk parity	10.00%	2.63%
Private equity	15.00%	9.93%
Cash and equivalents	0.00%	0.00%
	100.00%	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate (GELD as of December 31, 2021)			
	Current Rate	1% Decrease	Current Discount	1% Increase
Net Pension Liability - Town	7.15%	\$21,042,887	\$ 16,267,763	\$ 12,246,021
Net Pension Liability - GELD	7.30%	6,384,047	5,123,191	4,062,408

B. Other Postemployment Benefits

In addition to the pension benefits previously described, the Town and GELD provide health and life insurance benefits (other postemployment benefits, or OPEB) to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law (“MGL”) Chapter 32B Section 20 (hereinafter referred to as the “OPEB Plans”).

The Town and GELD operate OPEB Plans, while all benefits are provided through the Town’s insurance program. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. Neither OPEB Plans issue standalone financial reports since there are no assets legally segregated for the sole purpose of paying benefits under the OPEB Plans.

OPEB Plan disclosures that impact the net OPEB liability using a measurement date of June 30, 2022 for the Town and December 31, 2021, for GELD, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms:

	<u>Town</u>	<u>GELD</u>
Retired employee members and beneficiaries		
currently receiving benefits	61	7
Active employee members	<u>100</u>	<u>12</u>
Total	<u><u>161</u></u>	<u><u>19</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 35% of premiums for medical plans and 50% towards the group term life insurance plan. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and annually anticipates contributing additional funding above that amount into the OPEB Trust Fund. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was approximately 7.0% of covered payroll and for the year ended December 31, 2021 the GELD’s average contribution rate was 2.6% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022, using an actuarial valuation as of July 1, 2022, and GELD’s was measured as of December 31, 2021 using an actuarial valuation of January 1, 2021. The components of the net OPEB liability (asset) are as follows:

	<u>Town</u>	<u>GELD</u>
Total OPEB Liability	\$ 13,385,827	\$ 1,548,261
Plan fiduciary net position	<u>(768,288)</u>	<u>(1,747,917)</u>
Net OPEB liability	<u>\$ 12,617,539</u>	<u>\$ (199,656)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.74%	112.90%

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

Investment rate of return	6.11%, Town - 5.24%, GELD
Municipal bond rate	4.09%, Town - 2.25%, GELD
Discount rate	6.07%, Town - 5.25%, GELD
Inflation	2.50%
Health care trend rate	9.0% to 3.6%, Town - 5.00%, GELD
Salary increases	3.00%
Pre-retirement mortality	General: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2016; set forward 1 year for females
Post-retirement mortality	General: RP-2014 Blue Collar healthy annuitants projected generationally using Scale MP-2016; set forward 1 year for females
Disabled mortality	General: RP-2014 Blue Collar healthy annuitants projected generationally using Scale MP-2016; set forward 1 year
Actuarial cost method	Entry age normal - Level percentage of payroll

Key assumption changes effective Fiscal Year ending June 30, 2022

Single Equivalent Discount Rate 6.07% previously 6.75% for Town
Adoption of Getzen Model for Health Care Trend Rate

Discount Rate – The discount rate used to measure the total OPEB liability was 6.07% for Town and 5.25% for GELD which represented a blend of the yield or index rate of 4.09% at June 30, 2022 (2.25% at December 31, 2021 for GELD) for twenty-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher used for unfunded periods and the long-term expected rate of return of 6.11% for Town and 5.24% for GELD.

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 rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Town		GELD	
	Target Allocation	Expected Investment Rate of Return	Target Allocation	Expected Investment Rate of Return
Domestic equity - large cap	24.25%	4.42%	29.00%	4.42%
Domestic equity - small/mid cap	16.00%	4.81%	18.75%	4.81%
International equity - developed market	12.00%	4.91%	7.25%	4.91%
International equity - emerging market	6.50%	5.58%	0.00%	5.58%
Domestic fixed income	23.00%	1.00%	44.75%	1.00%
International fixed income	4.75%	1.04%	0.00%	1.04%
Alternatives	9.25%	5.98%	0.00%	5.98%
Real estate	3.75%	6.25%	0.00%	6.25%
Cash and equivalents	0.50%	0.00%	0.25%	0.00%
	<u>100.00%</u>		<u>100.00%</u>	

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate (GELD as of December 31, 2021)			
	Current Rate	1% Decrease	Current Discount	1% Increase
Net OPEB (Asset) Liability - Town	6.07%	\$ 14,619,760	\$ 12,617,539	\$ 11,001,537
Net OPEB (Asset) Liability - GELD	5.25%	69,892	(199,656)	(412,626)

	Healthcare Trend Rate (GELD as of December 31, 2021)			
	Current Rate	1% Decrease	Current Trend	1% Increase
Net OPEB (Asset) Liability - Town	9.00% > 3.60%	\$ 10,830,427	\$ 12,617,539	\$ 14,849,649
Net OPEB (Asset) Liability - GELD	5.00%	(446,726)	(199,656)	121,456

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022 (December 31, 2021, for GELD):

	Town			GELD (as of December 31, 2021)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(asset)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at July 1, 2021	\$ 9,647,823	\$ 721,567	\$ 8,926,256	\$ 1,302,616	\$ 1,557,845	\$ (255,229)
Changes for the year:						
Service cost	280,037	-	280,037	45,560	-	45,560
Interest	656,612	-	656,612	79,456	-	79,456
Difference between expected and actual experience	40,016	-	40,016	-	-	-
Changes of assumptions	3,168,541	-	3,168,541	169,164	-	169,164
Net investment income	-	(130,373)	130,373	-	203,790	(203,790)
Employer contributions	-	584,296	(584,296)	-	34,817	(34,817)
Benefit payments withdrawn from trust	-	(407,202)	407,202	-	(48,535)	48,535
Benefit payments	(407,202)	-	(407,202)	(48,535)	-	(48,535)
Net changes	3,738,004	46,721	3,691,283	245,645	190,072	55,573
Balances at June 30, 2022	<u>\$13,385,827</u>	<u>\$ 768,288</u>	<u>\$ 12,617,539</u>	<u>\$ 1,548,261</u>	<u>\$ 1,747,917</u>	<u>\$ (199,656)</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$1,324,956. For the year ended December 31, 2021, GELD recognized OPEB income of \$10,139. Deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Town		GELD	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,168,771	\$ -	\$ -	\$ 103,049
Changes of assumptions	2,681,074	1,356,849	169,823	63,021
Net difference between projected and actual earnings	79,778	-	21,394	207,907
Totals	<u>\$ 3,929,623</u>	<u>\$ 1,356,849</u>	<u>\$ 191,217</u>	<u>\$ 373,977</u>

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

	Town		GELD	
	June 30		December 31	
2023	\$ 441,864		2022	\$ (55,134)
2024	440,298		2023	(76,528)
2025	429,334		2024	(48,989)
2026	520,836		2025	(23,403)
2027	493,623		2026	21,294
Thereafter	246,819		Thereafter	-
Total	<u>\$ 2,572,774</u>		Total	<u>\$(182,760)</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State. GELD invests its plan assets in a pooled fund MMWEC.

Investment Rate of Return – For the year ended June 30, 2022 the annual money-weighted rate of return on investments, net of investment expense, was – 14.7% for the Town and for December 31, 2022 was 13.11% for GELD. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. 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 amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is a member of the Minuteman-Nashoba Health Group, which is a health insurance risk-pool consisting of 16 governmental units. The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the Group its required premiums and, in the event the group is terminated, it proportionate share of a deficit, should one exist.

D. Commitments and Contingencies

General – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2022, cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, would not have a material effect on its financial condition.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

MMWEC Participation – The GELD is a participant in certain projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth, created as a means to develop a bulk power supply for its members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (“Projects”). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix One project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for Millstone Unit 3 extends to November 25, 2045.

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

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

At December 31, 2021, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions, the outcome of which, in the opinion of MMWEC management, will not have a material effect on the financial position of MMWEC.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses discussed above) associated with the Department’s Project Capability of the Projects in which it participates was \$14,573,318 for the year ended December 31, 2021.

Other Power Supply – The GELD has entered into an All Requirements Bulk Power Sales Agreement (All Requirements Agreement) with MMWEC, under which MMWEC provides,

delivers, and sells all electric power and energy to the Light Department, whether through owned generation, purchased power contracts or other power supply arrangements.

Under the term of the All Requirements Agreement, the Light Department is committed to purchase additional power through MMWEC in future years for the amounts listed in the table below:

For Years Ending December 31,	Power Purchase Commitments
2022	\$ 84,244
2023	33,726
2024	33,818
2025	28,086
Total	\$ 179,874

Berkshire Wind Cooperative – The GELD is a member of the Berkshire Wind Cooperation Corporation (the “Cooperative”). The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 16 Municipal Light Departments (Members) for the purpose of financing, owning, constructing, and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility and its *pro rata* share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount. Additionally, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility.

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Plant’s pro rata share of the Phases in which it participates for the year ended December 31, 2021 are listed in the table below:

Phase	Percentage Share	Total Capital Expenditures	Debt Service Billed	Operations & Maintenance Billed
Berkshire Phase 1	5.533%	\$ 3,058,597	\$ 267,783	\$ 95,541

The estimated aggregate amount of the required payments for future years for the GELD’s pro rata share of the Phases in which it participates is shown below:

For Years Ending December 31,	Total Phase 1 Debt Service
2022	\$ 267,825
2023	267,770
2024	268,115
2025	267,714
2026	267,963
2027- 2030	1,071,341
Total	<u>\$ 2,410,728</u>

E. Landfill Closure and Post-Closure Care Costs

The Town’s landfill is closed, and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$562,910 has been recorded as a governmental activity’s liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

IV. Implementation of New GASB Pronouncements

Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town’s financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town’s financial statements.

In June 2020, the GASB issued GASB Statement No. 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. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

Future Implementations –

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF GROTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability	1.43%	1.60%	1.59%	1.49%	1.51%	1.58%	1.60%	1.62%	1.62%
Town's proportionate share of the net pension liability	\$19,238,916	\$24,595,262	\$25,513,416	\$23,290,688	\$21,402,700	\$22,421,400	\$20,586,198	\$19,495,870	\$19,293,598
Town's covered payroll *	\$ 8,229,713	\$ 8,305,473	\$ 7,971,673	\$ 7,545,657	\$ 7,236,359	\$ 7,051,413	\$ 6,891,765	\$ 6,626,697	\$ 6,764,657
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	233.8%	296.1%	320.1%	308.7%	295.8%	318.0%	298.7%	294.2%	285.2%
Plan fiduciary net position as a percentage of the total pension liability	61.1%	53.4%	49.5%	46.4%	49.3%	45.5%	46.1%	47.7%	46.2%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,385,255	\$ 2,090,290	\$ 1,973,053	\$ 2,081,699	\$ 1,966,279	\$ 1,839,040	\$ 1,737,842	\$ 1,560,704	\$ 1,476,492
Contributions in relation to the actuarially determined contribution	<u>2,385,255</u>	<u>2,090,290</u>	<u>1,973,053</u>	<u>2,081,699</u>	<u>1,966,279</u>	<u>1,839,040</u>	<u>1,737,842</u>	<u>1,560,704</u>	<u>1,476,492</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll *	\$ 8,229,713	\$ 8,305,473	\$ 7,971,673	\$ 7,545,657	\$ 7,236,359	\$ 7,051,413	\$ 6,891,765	\$ 6,626,697	\$ 6,764,657
Contributions as a percentage of covered payroll	29.0%	25.2%	24.8%	27.6%	27.2%	26.1%	25.2%	23.6%	21.8%

The above schedules include GELD information in the most current year; these amounts may not reconcile to the amounts recorded since GELD has a December 31 year-end and may use the year prior valuation.

* Covered employee payroll as reported in the actuarial valuation report.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF GROTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS - TOWN

	Year Ended June 30					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 280,037	\$ 290,989	\$ 286,592	\$ 328,620	\$ 460,696	\$ 395,760
Interest	656,612	619,730	550,245	645,543	461,403	334,604
Changes of benefit terms	-	-	-	-	-	-
Changes of assumptions	3,168,541	(307,696)	(887,465)	(2,198,188)	-	-
Benefit payments	(407,202)	(390,892)	(344,921)	(300,225)	(269,876)	(226,325)
Net change in total OPEB liability	3,738,004	212,131	381,584	(1,524,250)	652,223	2,774,336
Total OPEB liability - beginning of year	9,647,823	9,435,692	9,054,108	10,578,358	9,926,135	7,151,799
Total OPEB liability - end of year (a)	\$ 13,385,827	\$ 9,647,823	\$ 9,435,692	\$ 9,054,108	\$ 10,578,358	\$ 9,926,135
Plan fiduciary net position:						
Contributions - employer	\$ 584,296	\$ 567,986	\$ 513,921	\$ 400,204	\$ 369,826	\$ 226,325
Net investment income	(130,373)	145,866	15,891	12,377	1,388	12
Benefit payments	(407,202)	(390,892)	(344,921)	(300,225)	(269,876)	(226,325)
Administrative expenses	-	-	-	-	-	-
Plan fiduciary net position - beginning of year	721,567	398,607	213,716	101,360	22	10
Plan fiduciary net position - end of year (b)	\$ 768,288	\$ 721,567	\$ 398,607	\$ 213,716	\$ 101,360	\$ 22
Net OPEB liability - end of year (a) - (b)	\$ 12,617,539	\$ 8,926,256	\$ 9,037,085	\$ 8,840,392	\$ 10,476,998	\$ 9,926,113
Plan fiduciary net position as a percentage of the total OPEB liability	5.74%	7.48%	4.22%	2.36%	0.96%	0.00%
Covered payroll	\$ 8,376,928	\$ 7,892,268	\$ 7,662,396	\$ 6,857,693	\$ 6,552,226	\$ 6,657,954
Net OPEB liability as a percentage of covered-employee payroll	150.62%	113.10%	117.94%	128.91%	159.90%	149.09%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF GROTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS - TOWN

	Year Ended June 30					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 903,575	\$ 767,568	\$ 936,392	\$ 934,511	\$ 1,043,834	\$ 978,898
Contributions in relation to the actuarially-determined contribution	(584,296)	(567,986)	(513,921)	(400,204)	(369,826)	(226,325)
Contribution deficiency (excess)	<u>\$ 319,279</u>	<u>\$ 199,582</u>	<u>\$ 422,471</u>	<u>\$ 534,307</u>	<u>\$ 674,008</u>	<u>\$ 752,573</u>
Covered-employee payroll	\$ 8,376,928	\$ 7,892,268	\$ 7,662,396	\$ 6,857,693	\$ 6,552,226	\$ 6,657,954
Contribution as a percentage of covered payroll	6.98%	7.20%	6.71%	5.84%	5.64%	3.40%
Valuation date	July 1, 2021					
Amortization period	30 years					
Investment rate of return	6.11%					
Municipal bond rate	4.09%					
Single equivalent discount rate	6.07%					
Inflation	2.50%					
Healthcare cost trend rates	9.00 > 3.60%					
Salary increases	3.00%					
Actuarial cost method	Individual Entry Age Normal					
Asset valuation method	Market value of assets as of reporting date					

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	Year Ended June 30					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of	-14.74%	26.85%	4.31%	4.71%	0.88%	0.01%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF GROTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS - GELD

	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 45,560	\$ 44,453	\$ 47,023	\$ 42,255	\$ 43,054
Interest	79,456	85,843	81,077	76,041	64,746
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(156,807)	-	(2,836)	115,369
Changes of assumptions	169,164	(96,903)	56,750	-	-
Benefit payments	(48,535)	(44,259)	(37,091)	(35,542)	(32,739)
Net change in total OPEB liability	245,645	(167,673)	147,759	79,918	190,430
Total OPEB liability - beginning of year	1,302,616	1,470,289	1,322,530	1,242,612	1,052,182
Total OPEB liability - end of year (a)	<u>\$ 1,548,261</u>	<u>\$ 1,302,616</u>	<u>\$ 1,470,289</u>	<u>\$ 1,322,530</u>	<u>\$ 1,242,612</u>
Plan fiduciary net position:					
Contributions - employer	\$ 34,817	\$ 44,259	\$ 37,091	\$ 89,971	\$ 238,739
Net investment income	203,790	171,246	204,052	(37,566)	118,827
Benefit payments	(48,535)	(44,259)	(37,091)	(35,542)	(32,739)
Administrative expenses	-	-	-	-	-
Plan fiduciary net position - beginning of year	1,557,845	1,386,599	1,182,547	1,165,684	840,857
Plan fiduciary net position - end of year (b)	<u>\$ 1,747,917</u>	<u>\$ 1,557,845</u>	<u>\$ 1,386,599</u>	<u>\$ 1,182,547</u>	<u>\$ 1,165,684</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ (199,656)</u>	<u>\$ (255,229)</u>	<u>\$ 83,690</u>	<u>\$ 139,983</u>	<u>\$ 76,928</u>
Plan fiduciary net position as a percentage of the total OPEB liability	112.90%	119.59%	94.31%	89.42%	93.81%
Covered payroll	\$ 1,365,722	\$ 1,325,944	\$ 1,180,461	\$ 1,151,904	\$ 1,118,353
Net OPEB liability as a percentage of covered-employee payroll	-14.62%	-19.25%	7.09%	12.15%	6.88%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF GROTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS - GELD**

	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 45,560	\$ 31,942	\$ 52,619	\$ 51,849	\$ 57,538
Contributions in relation to the actuarially-determined contribution	(34,817)	(44,259)	(37,091)	(89,971)	(238,739)
Contribution deficiency (excess)	\$ 10,743	\$ (12,317)	\$ 15,528	\$ (38,122)	\$ (181,201)
Covered-employee payroll	\$ 1,365,722	\$ 1,325,944	\$ 1,180,461	\$ 1,151,904	\$ 1,118,353
Contribution as a percentage of covered payroll	2.55%	3.34%	3.14%	7.81%	21.35%
Valuation date	12/31/2021				
Investment rate of return	5.24%				
Municipal bond rate	2.25%				
Single equivalent discount rate	5.25%				
Inflation	2.50%				
Healthcare cost trend rates	5.00%				
Salary increases	3.00%				
Actuarial cost method	Individual entry age normal				
Asset valuation method	Fair value				

**SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS**

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of	13.11%	12.35%	17.26%	-3.10%	12.88%

TOWN OF GROTON, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Favorable (Unfavorable)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes, net	\$ 36,058,383	\$ 36,268,983	\$ 36,680,389		\$ 35,124,995	\$ 411,406
Intergovernmental	991,753	991,753	1,066,140		1,066,140	74,387
Motor vehicle and other excises	1,988,094	1,988,094	2,196,725		2,196,725	208,631
License and permits	300,000	300,000	537,500		537,500	237,500
Departmental and other revenue	1,825,000	1,825,000	2,385,118		2,385,118	560,118
Penalties and interest on taxes	120,000	120,000	157,400		157,400	37,400
Fines and forfeitures	20,000	20,000	14,149		14,149	(5,851)
Investment income	40,000	40,000	41,957		41,957	1,957
Total Revenues	41,343,230	41,553,830	43,079,378		41,523,984	1,525,548
EXPENDITURES						
General government	2,995,867	3,019,857	2,667,121	\$ 69,825	2,736,946	282,911
Public safety	5,111,433	5,280,829	4,854,591	361,882	5,216,473	64,356
Education	25,047,906	25,047,906	25,047,906	-	25,047,906	-
Public works	1,791,146	1,966,005	2,030,732	145,371	2,176,103	(210,098)
Health and human services	307,468	307,468	296,691	2,048	298,739	8,729
Culture and recreation	1,712,240	1,748,267	1,611,512	73,640	1,685,152	63,115
Pension and fringe benefits	4,524,177	4,318,576	4,292,892	55	4,292,947	25,629
State and county tax assessments	97,077	97,077	97,077	-	97,077	-
Debt service	1,882,887	1,912,869	1,907,807	-	1,907,807	5,062
Total Expenditures	43,470,201	43,698,854	42,806,329	652,821	43,459,150	239,704
OTHER FINANCING SOURCES (USES)						
Transfers in	1,263,446	1,468,446	1,332,741	-	1,332,741	(135,705)
Transfers out	(78,000)	(1,552,269)	-	-	-	1,552,269
Total Other Financing Sources (Uses)	1,185,446	(83,823)	1,332,741	-	1,332,741	1,416,564
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(941,525)	(2,228,847)	\$ 1,605,790	\$ (652,821)	\$ (602,425)	\$ 3,181,816
Other budget items:						
Undesignated surplus (free cash)	467,679	1,755,001				
Prior year encumbrances	549,285	549,285				
Prior year deficits	(75,439)	(75,439)				
Total other budget items	941,525	2,228,847				
Net budget	\$ -	\$ -				

The notes to the financial statements are an integral part of this statement.

TOWN OF GROTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and each enterprise fund. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2022, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 43,079,378
Stabilization revenue	\$ -	\$ (22,931)	(22,931)
Indirect cost allocations	-	(271,148)	(271,148)
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ (294,079)</u>	<u>\$ 42,785,299</u>
Expenditures on a budgetary basis			\$ 42,806,329
OPEB contribution	\$ -	\$ 177,094	177,094
Indirect cost allocations	-	(271,148)	(271,148)
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ (94,054)</u>	<u>\$ 42,712,275</u>
Other financing sources (uses) on a budgetary basis			\$ (354,970)
Stabilization transfers	\$ -	\$ 352,702	352,702
OPEB contribution	-	177,094	177,094
Other funds account closures	135,578	-	135,578
Other financing sources (uses) on a GAAP basis	<u>\$ 135,578</u>	<u>\$ 529,796</u>	<u>\$ 310,404</u>

Appropriation Deficits – During fiscal year 2022, expenditures exceeded appropriations in the General Fund for snow and ice removal by \$161,486, which will be funded through subsequent fiscal year taxation and local receipts.