

***TOWN OF IPSWICH, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2020***

TOWN OF IPSWICH, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

**TABLE OF CONTENTS**

|   |    |
|---|----|
| Independent Auditor’s Report .....  | 1  |
| Management’s Discussion and Analysis .....  | 3  |
| Basic Financial Statements.....   | 13 |
| Statement of Net Position.....  | 15 |
| Statement of Activities.....  | 16 |
| Governmental Funds – Balance Sheet .....  | 18 |
| Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position.....                                  | 19 |
| Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances .....   | 20 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... | 21 |
| Proprietary Funds – Statement of Net Position.....  | 22 |
| Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position.....  | 23 |
| Proprietary Funds – Statement of Cash Flows .....   | 24 |
| Fiduciary Funds – Statement of Fiduciary Net Position .....   | 25 |
| Fiduciary Funds – Statement of Changes in Fiduciary Net Position.....   | 26 |
| Notes to Basic Financial Statements .....   | 27 |
| Notes to Basic Financial Statements – Ipswich Municipal Light Department .....  | 70 |
| Required Supplementary Information.....   | 79 |
| General Fund Budgetary Comparison Schedule .....  | 80 |
| General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual....   | 81 |
| Pension Plan Schedules .....  | 82 |
| Schedule of the Town’s Proportionate Share of the Net Pension Liability.....  | 83 |
| Schedule of the Town’s Contributions.....   | 84 |
| Schedule of the Special Funding Amounts of the Net Pension Liability.....   | 85 |
| Other Postemployment Benefit Plan Schedules.....  | 86 |
| Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios .....   | 87 |
| Schedule of the Town’s Contributions .....  | 88 |
| Schedule of Investment Returns.....   | 89 |
| Notes to Required Supplementary Information.....  | 90 |
| Additional Information – Municipal Light Enterprise Fund Schedules .....  | 94 |
| Comparative Schedule of Net Position .....  | 95 |

Comparative Schedule of Revenues, Expenses and Changes in Net Position..... 96  
Comparative Schedule of Cash Flows ..... 97  
Comparative Schedule of Sales of Electricity ..... 98  
Comparative Schedule of Cost of Service and Administration ..... 99



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditor's Report

To the Honorable Select Board  
Town of Ipswich, Massachusetts

## Report on the Financial Statements

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

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ipswich, Massachusetts, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ipswich, Massachusetts' basic financial statements. The municipal light enterprise fund schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The municipal light enterprise fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the municipal light enterprise fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the Town of Ipswich, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Ipswich, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ipswich, Massachusetts' internal control over financial reporting and compliance.

*Powers & Sullivan LLC*

December 16, 2020

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

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

As management of the Town of Ipswich, we offer readers of the Town of Ipswich's financial statements this narrative overview and analysis of the financial activities of the Town of Ipswich for the year ended June 30, 2020. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$83.9 million (net position).
- As required by GASB Standards, the Town has recognized their total net pension liability of \$44.1 million along with deferred outflows related to pensions of \$5.1 million and deferred inflows related to pension of \$2.5 million on the statement of net position.
- As required by GASB Standards, the Town has recognized a total net other postemployment benefit (OPEB) liability of \$24.8 million along with deferred outflows related to OPEB of \$1.3 million and deferred inflows related to OPEB of \$291,000 on the statement of net position.
- The Town's total net position increased by \$5.0 million during 2020. Of this increase, \$4.5 million is related to governmental activities and \$482,000 is related to business-type activities.
- At the close of the current year, the Town's governmental funds reported an ending total fund balance of \$54.7 million, an increase of approximately \$4.4 million in comparison with the prior year. Approximately \$11.0 million represents unassigned fund balance of the general fund, while \$1.3 million is assigned for 2021 expenditures. The Feoffee's trust major fund reported a nonspendable balance of \$25.8 million and a restricted balance of \$7.0 million. Approximately \$8.9 million represents restricted fund balance in the nonmajor governmental funds, while the nonspendable portion totals approximately \$851,000 and unassigned fund balance has a deficit of \$242,000.
- At the end of the year, unassigned fund balance for the general fund totaled \$11.0 million or 19.1% of total general fund expenditures.
- The Town's total gross bonded debt decreased by \$4.8 million during the current year.

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

This discussion and analysis are intended to serve as an introduction to the Town of Ipswich's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. 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 finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, finance, public safety, education, Feoffee's Trust, public works, planning and development, code enforcement, community and cultural services, library, COVID-19, and interest. The business-type activities include water, wastewater, solid waste and recycling, and municipal light operations.

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements to demonstrate compliance with this budget.

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

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, wastewater, solid waste and recycling, and municipal light operations, all of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

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

## Government-wide Financial Analysis

### Governmental Activities:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Ipswich's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$57.6 million at the close of 2020.

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Assets:</b>                                      |                      |                      |
| Current assets.....                                 | \$ 59,125,565        | \$ 55,151,878        |
| Noncurrent assets (excluding capital).....          | 1,039,111            | 1,182,885            |
| Capital assets, non depreciable.....                | 20,488,811           | 20,488,811           |
| Capital assets, net of accumulated depreciation.... | 47,199,504           | 48,696,618           |
| <b>Total assets.....</b>                            | <b>127,852,991</b>   | <b>125,520,192</b>   |
| <b>Deferred outflows of resources.....</b>          | <b>5,338,859</b>     | <b>4,776,228</b>     |
| <b>Liabilities:</b>                                 |                      |                      |
| Current liabilities (excluding debt).....           | 3,634,502            | 2,757,887            |
| Noncurrent liabilities (excluding debt).....        | 60,300,035           | 59,890,233           |
| Current debt.....                                   | 1,800,804            | 4,958,332            |
| Noncurrent debt.....                                | 7,594,212            | 8,325,465            |
| <b>Total liabilities.....</b>                       | <b>73,329,553</b>    | <b>75,931,917</b>    |
| <b>Deferred inflows of resources.....</b>           | <b>2,247,380</b>     | <b>1,224,200</b>     |
| <b>Net position:</b>                                |                      |                      |
| Net investment in capital assets.....               | 57,926,638           | 56,026,262           |
| Restricted.....                                     | 39,262,914           | 37,572,041           |
| Unrestricted.....                                   | (39,574,635)         | (40,458,000)         |
| <b>Total net position.....</b>                      | <b>\$ 57,614,917</b> | <b>\$ 53,140,303</b> |

Net position of \$57.9 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$39.3 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors, this portion of net position had a year-end deficit balance of \$39.6 million.

The governmental activities net position increased by \$4.5 million in 2020. Key contributing factors to this increase included a \$1.0 million net increase in the Feoffee's Trust Fund, \$1.7 in positive budgetary results in the general fund, and a \$1.7 million increase in Town stabilization funds.

During 2020, the Town pre-funded future OPEB liabilities totaling approximately \$439,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$5.6 million.

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Program Revenues:</b>  |                      |                      |
| Charges for services.....   | \$ 3,515,792         | \$ 4,518,079         |
| Operating grants and contributions.....                                     | 13,801,247           | 12,013,911           |
| Capital grants and contributions.....                                       | 509,948              | 684,969              |
| <b>General Revenues:</b>  |                      |                      |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 42,622,871           | 41,407,803           |
| Tax and other liens.....  | 189,333              | 161,196              |
| Motor vehicle and other excise taxes.....                                   | 2,210,022            | 2,245,171            |
| Hotel/motel tax.....  | 58,993               | 43,482               |
| Meals tax.....  | 255,033              | 256,458              |
| Penalties and interest on taxes.....  | 173,975              | 167,727              |
| Payments in lieu of taxes.....  | 492,163              | 493,422              |
| Grants and contributions not restricted to<br>specific programs.....        | 2,210,002            | 1,388,016            |
| Unrestricted investment income.....   | 2,371,291            | 2,462,833            |
| Miscellaneous.....  | 205,380              | 59,672               |
| <b>Total revenues.....</b>  | <b>68,616,050</b>    | <b>65,902,739</b>    |
| <b>Expenses:</b>  |                      |                      |
| General government.....   | 372,239              | 347,441              |
| Finance.....  | 1,520,185            | 1,568,063            |
| Public safety.....  | 8,481,621            | 8,919,562            |
| Education.....  | 43,560,363           | 42,811,475           |
| Fee/fee's Trust.....  | 201,874              | 190,157              |
| Public works.....   | 6,029,649            | 5,238,973            |
| Planning and development.....   | 518,877              | 616,399              |
| Code enforcement.....   | 665,553              | 657,590              |
| Community and cultural services.....  | 847,846              | 770,919              |
| Library.....  | 1,212,393            | 1,211,538            |
| COVID-19.....   | 358,980              | -                    |
| Interest.....   | 371,856              | 511,799              |
| <b>Total expenses.....</b>  | <b>64,141,436</b>    | <b>62,843,916</b>    |
| <b>Excess (Deficiency) before transfers.....</b>                            | <b>4,474,614</b>     | <b>3,058,823</b>     |
| <b>Transfers.....</b>   | <b>-</b>             | <b>(907,423)</b>     |
| <b>Change in net position.....</b>  | <b>4,474,614</b>     | <b>2,151,400</b>     |
| <b>Net position, beginning of year.....</b>                                 | <b>53,140,303</b>    | <b>50,988,903</b>    |
| <b>Net position, end of year.....</b>                                       | <b>\$ 57,614,917</b> | <b>\$ 53,140,303</b> |

The new Feoffee's Trust fund operates under a court order, which stipulates that the Trust shall be a public body and an agency of the Town of Ipswich or its subdivisions. The new Feoffees are the trustees and hold title to and manage all of the assets of the trust, which are required to be managed in accordance with a court order and trust administration order. The Ipswich Public Schools are the beneficiaries of the trust. Accordingly, the Town has recorded the Trust as a major governmental fund in the basic financial statements. In 2020, the operations of the Trust included \$2.0 million in investment income. As most of the initial mortgages and loans have been paid down and the initial proceeds of the Trust have been invested, the Trust's activity has shifted to consist mainly of the changes in the value of the investments and the Trust's annual payments to the Ipswich Public Schools. The Trust payment made to the Town during fiscal year 2020, totaled \$826,000.

**Business-type Activities**

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26.3 million at the close of 2020.

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Assets:</b>                                      |                      |                      |
| Current assets.....                                 | \$ 12,032,217        | \$ 9,597,609         |
| Noncurrent assets (excluding capital).....          | 2,380,029            | 1,826,151            |
| Capital assets, non depreciable.....                | 2,379,012            | 2,660,385            |
| Capital assets, net of accumulated depreciation.... | 43,095,805           | 40,141,678           |
| <b>Total assets.....</b>                            | <b>59,887,063</b>    | <b>54,225,823</b>    |
| <b>Deferred outflows of resources.....</b>          | <b>1,122,396</b>     | <b>871,870</b>       |
| <b>Liabilities:</b>                                 |                      |                      |
| Current liabilities (excluding debt).....           | 6,956,428            | 4,479,345            |
| Noncurrent liabilities (excluding debt).....        | 9,292,768            | 8,228,590            |
| Current debt.....                                   | 5,790,234            | 2,861,120            |
| Noncurrent debt.....                                | 12,153,446           | 13,456,220           |
| <b>Total liabilities.....</b>                       | <b>34,192,876</b>    | <b>29,025,275</b>    |
| <b>Deferred inflows of resources.....</b>           | <b>511,251</b>       | <b>248,982</b>       |
| <b>Net position:</b>                                |                      |                      |
| Net investment in capital assets.....               | 28,413,890           | 27,177,188           |
| Restricted.....                                     | 1,754,392            | 1,446,235            |
| Unrestricted.....                                   | (3,862,950)          | (2,799,987)          |
| <b>Total net position.....</b>                      | <b>\$ 26,305,332</b> | <b>\$ 25,823,436</b> |

Business-type net position of \$28.4 million represents investments in capital assets, net of any related debt. Net position of \$1.8 million is restricted for the Light Department's Rate Stabilization and Capital Depreciation funds. The remaining balance of *unrestricted net position* had a year-end combined deficit balance of \$3.9 million. The Water fund reported a deficit unrestricted net position of \$103,000, the Wastewater fund reported unrestricted net position of \$96,000 the Solid waste and recycling fund reported unrestricted net position of \$69,000 and the Municipal Light Department reported a deficit unrestricted net position of \$3.9 million.

Cumulatively, net position of the business-type activities increased by \$482,000. The overall small change in net position of the business-type activities is representative of the Town's system to recover 100% of the cost of

providing these services through the rate setting process. For the Water enterprise, the net position increased by \$426,000. For the Wastewater enterprise, the net position increased by \$1,200. For the Solid waste and recycling enterprise, the net position increased \$29,000. For the Municipal Light Department, the net position increased by \$25,000. The negative unrestricted net position in the Municipal Light Department is the result of reporting the fund's net pension liability and net OPEB liability, and the negative unrestricted net position in the water fund is the result of reporting the fund's pension liability.

|   | <u>2020</u>                 | <u>2019</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Program Revenues:</b>                    |                             |                             |
| Charges for services.....                   | \$ 23,142,673               | \$ 23,154,539               |
| Operating grants and contributions.....     | 102,228                     | 87,193                      |
| Capital grants and contributions.....       | -                           | 717,434                     |
| <b>Total revenues.....</b>                  | <b><u>23,244,901</u></b>    | <b><u>23,959,166</u></b>    |
| <b>Expenses:</b>                            |                             |                             |
| Water.....                                  | 3,237,278                   | 3,320,192                   |
| Wastewater.....                             | 2,599,659                   | 2,233,365                   |
| Solid waste and recycling.....              | 72,073                      | 87,462                      |
| Municipal Light.....                        | 16,853,995                  | 16,436,603                  |
| <b>Total expenses.....</b>                  | <b><u>22,763,005</u></b>    | <b><u>22,077,622</u></b>    |
| <b>Change in net position.....</b>          | <b>481,896</b>              | <b>1,881,544</b>            |
| <b>Net position, beginning of year.....</b> | <b><u>25,823,436</u></b>    | <b><u>23,941,892</u></b>    |
| <b>Net position, end of year.....</b>       | <b>\$ <u>26,305,332</u></b> | <b>\$ <u>25,823,436</u></b> |

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

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

**Governmental funds.** The focus of 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$54.7 million, an increase of \$4.4 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$11.0 million and \$1.3 million was assigned for encumbrances and for free cash voted for the 2021 budget. The total general fund balance of \$12.3 million has increased by \$3.5 million during 2020. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.1% of total general fund expenditures, while total fund balance represents 21.4% of that same amount.

The Feoffee's Trust major fund is used to account for funds held by the Feoffee's of the Grammar School in the Town of Ipswich Trust which was established pursuant to a court order which dissolved the prior Feoffee's Trust and created a new trust to hold title to and manage assets acquired through the bequest from William Paine to

benefit the Ipswich Public Schools. The new trust was created in 2013 and received the proceeds from the sale of 167 parcels of land in a land area known as Little Neck. The Courts stipulated the terms of the sale, and the funds received are invested by and managed by a group of trustees known as the Feoffees. The Trust's revenues totaled \$2.1 million, which mainly represents interest earned on the outstanding mortgages and investment income; expenditures totaled \$202,000; transfers to the Town totaled \$826,000. The ending trust balance totaled \$32.8 million at June 30, 2020.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020, and December 30, 2020, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. (See Note 15 for further information).

There was a \$68,000 decrease in nonmajor governmental funds, which reported \$6.2 million in revenues, \$7.5 million in expenditures, and net \$1.3 million in net other financing sources (uses) including \$2.0 million in transfers in, \$317,000 in bond proceeds, offset by \$1.1 million in transfers out.

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

The increase of \$329,000 between the original budget and the final amended budget consists mainly of \$215,000 appropriated from available funds (free cash) voted the OPEB trust fund. The original available general fund budget consisted of \$54.4 million in new appropriations and \$1.0 in amounts carried forward from the 2019 budget.

The final budget was balanced through the use of \$215,000 in free cash and the release of \$250,000 of overlay (reserve for abatements). Total revenues came in over budget by approximately \$854,000, mostly from higher than budgeted excise taxes, investment income, and departmental income; actual expenditures were under budget by \$1.2 million. The Town experienced higher turn backs this year as the Town proactively reduced general fund spending to offset potential future implications of the COVID-19 Pandemic. The net result was an increase in the general fund balance of \$1.7 million on a budgetary basis.

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

During the current year, the Town acquired \$1.9 million in governmental activities capital assets consisting mainly of \$200,000 for buildings and improvements, \$1.1 million expended for machinery, equipment and vehicles, and \$592,000 in infrastructure. Business-type activities expended \$5.2 million for capital assets. Of this amount, the water enterprise fund expended \$3.0 million for infrastructure and machinery, equipment, and vehicles; the wastewater enterprise fund expended \$446,000 for infrastructure, buildings and improvements and machinery, equipment and vehicles; and the municipal light department expended \$1.5 million for production plant, distribution plant and general plant upgrades.

The Town's governmental funds had total bonded debt outstanding of \$8.6 million at the end of the current year. Of this amount, \$1.9 million is related to school projects, \$3.7 million relates to land purchases, \$2.3 million related to roadway projects, \$150,000 relates to the purchase of equipment, and \$640,000 relates to other capital projects. The governmental funds issued \$317,000 and redeemed a total of \$3.7 million in long-term bonds.

The enterprise funds had \$13.5 million of debt outstanding at the end of the current year. Of this amount, \$4.5 million related to water, \$5.0 million related to wastewater, and \$4.0 million related to electric light projects. The enterprise funds redeemed a total of \$1.4 million in long-term bonds.

Governmental activities issued \$427,000 in new short-term debt during the year to finance ongoing projects in anticipation of permanent financing. Projects financed with short-term debt include bridges, riverwalk, and a school feasibility study. The governmental activities also has an outstanding interim loan with the Massachusetts Clean Water Trust (MCWT) totaling \$325,000, which is considered temporary borrowing until the long-term debt is issued by MCWT. The water enterprise fund issued \$4.5 million in new short-term debt during the year to finance water distribution system improvements and water main replacements.

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

### ***Economic Factors and Next Year's Budgets and Rates***

In early 2020, the Coronavirus emerged in Massachusetts, and on March 10, 2020, Governor Charlie Baker issued a State of Emergency. At noontime on March 16, 2020, Ipswich Town Manager, Tony Marino, closed all Town Offices to the public. All board and committee meetings will be held remotely per Select Board Chair, William Whitmore until further notice. Mr. Marino issued a State of Emergency in Ipswich on March 19, 2020, and Governor Baker issued a Stay at Home Order on March 20, 2020. Essential businesses were allowed to remain open, which included town offices. Town employees still performed their duties throughout this time and all departments remained operational. Some offices had staggered their office staff to reduce the chance of infection and others worked remotely. Town Hall re-opened to the public on May 19, 2020, weekdays for 4 hours per day. Gradually Town Hall increased the hours open to the public. On August 11, 2020, Town Hall hours returned to the same number of hours it was open prior to the Coronavirus emerging.

The Annual Town Meeting was moved from the second week of May to late June, in order to plan for a safe environment outside under a large tent. A parking lot adjacent to the tent allowed residents with health concerns to remain in their vehicles and still participate in the Annual Town Meeting.

The June 2020 Annual Town Meeting approved the Town's Operating Budget for 2021 in the amount of \$27,181,875 which included \$19,857,291 for the Municipal Operating budget and included \$141,218 from the Waterways Improvement Fund for the Harbormaster's budget. The budget was grouped into six functional categories: General Government (\$1,836,683), Planning & Community Development (\$581,892), Public Safety (\$5,550,969), Public Works (\$4,740,111), Community & Cultural Services (\$1,538,897) and Benefits & Other (\$5,608,740).

Also included in this omnibus budget was \$4,283,941 for the Water Department, \$2,936,732 for the Wastewater Department and \$103,911 for Solid Waste and Recycling Operations. The Water budget will be offset in part by a water surplus of \$201,333 and the Wastewater budget will be offset in part by a wastewater surplus of \$105,745. The balance of Water, Sewer and Solid Waste and Recycling budget appropriations will be met by revenues of each department during 2021.

Town Meeting approved the School's Operating Budget for \$32,019,077 for 2021. The debt service for the High School/Middle School Capital Project was completed in FY2020 so the total school operating budget figure decreased in FY21 as it no longer includes \$2,540,000 in HS/MS debt service. A \$2,900,000 School Operating Override was approved in May 2015 which passed overwhelmingly by 777 votes. \$1,169,589 was voted from the Education Stabilization Fund to supplement the FY21 School Operating Budget.

Town Meeting approved the capital plan for fiscal 2021 for \$839,680 of which \$680,010 was funded from Free Cash, \$269 from the Capital Stabilization Fund, \$51,084 from the fire pumper set aside, \$40,000 from Overlay Surplus and \$68,317 was raised and appropriated from taxes. A longer-term funding plan, which is essential to a healthy and sustainable capital program, is under discussion among representatives of the Select Board, School Committee, and Finance Committee.

Town Meeting also approved a transfer of \$1,833,538 from the FY20 Appropriated School Budget to the Educational Stabilization Fund.

At the November 2017 Special Town Meeting, a Special Education Reserve Fund was approved. The first transfer into the Special Education Reserve Fund was approved at the May 2018 Annual Town Meeting in the amount of \$161,019. Article 8, of the June 2020 Annual Town Meeting transferred \$102,000 from the FY20 School Operating budget to the Special Education Reserve Fund.

The Annual Town Meeting approved an appropriation of \$457,572 as Ipswich's share of the operating and debt service expenses of the Whittier Regional Vocational Technical High School for 2021. Town Meeting also approved an appropriation of \$256,092 to fund the Town's share of the FY21 annual operation and debt service of the Essex North Shore Agricultural & Technical School District (formerly Essex Regional Technical Institute). Both appropriations were funded by taxes. The Fall Town Meeting will amend the Essex Tech appropriation to a lower amount equal to the actual assessment/budget based on the actual October 1 enrollment.

Town Meeting appropriated \$440,336 under the provisions of Chapter 90 of the General Laws for Fiscal 2021.

This Annual Town Meeting voted in Article 10 to appropriate \$2,500,000 to survey, design, permit and construct improvements to the Town's water distribution system. Bonds will be issued and the related debt service will be paid by water rate payers.

In Article 11, Town Meeting amended last year's Article 10 Annual Town Meeting vote of \$5,500,000 to survey, design, permit and construct improvements to the Town's water distribution system and reduced that amount by \$2,512,540.

Article 12 voted a \$2,000,000 appropriation to survey, design, permit and construct improvements to the Town's wastewater system. Bonds will be issued and the related debt service will be paid by wastewater rate payers.

Article 13 of the Annual Town Meeting, \$73,348 was raised and appropriated from taxes and \$215,033 was transferred from free cash to the Other Postemployment Benefits Fund (OPEB). The June 30, 2020, balance in the OPEB Trust Fund was \$5,616,507.

Normally, a transfer is made from Free Cash to the Stabilization Fund at the Annual Town Meeting. Due to the Coronavirus the number of articles at the Annual Town Meeting were reduced and this transfer was postponed to the Fall Special Town Meeting.

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

This financial report is designed to provide a general overview of the Town of Ipswich's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 25 Green Street, Ipswich, Massachusetts 01938.

# ***Basic Financial Statements***

This page left intentionally blank

**STATEMENT OF NET POSITION**

JUNE 30, 2020

|   | <i>Primary Government</i>   |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | Governmental<br>Activities  | Business-type<br>Activities | Total                       |
| <b>ASSETS</b>   |                             |                             |                             |
| <b>CURRENT:</b>   |                             |                             |                             |
| Cash and cash equivalents.....                                  | \$ 20,431,152               | \$ 6,627,214                | \$ 27,058,366               |
| Restricted cash and cash equivalents.....                       | -                           | 697,350                     | 697,350                     |
| Investments.....  | 35,966,221                  | -                           | 35,966,221                  |
| Receivables, net of allowance for uncollectibles:               |                             |                             |                             |
| Real estate and personal property taxes.....                    | 487,078                     | -                           | 487,078                     |
| Tax liens.....  | 625,865                     | -                           | 625,865                     |
| Motor vehicle and other excise taxes.....                       | 121,819                     | -                           | 121,819                     |
| User fees.....  | -                           | 2,929,423                   | 2,929,423                   |
| Departmental and other.....                                     | 152,698                     | -                           | 152,698                     |
| Intergovernmental.....  | 1,167,117                   | -                           | 1,167,117                   |
| Special assessments.....  | -                           | 551                         | 551                         |
| Loans and mortgages.....  | 11,879                      | -                           | 11,879                      |
| Tax foreclosures.....   | 161,736                     | -                           | 161,736                     |
| Inventory.....  | -                           | 144,024                     | 144,024                     |
| Purchased power working capital and prepayments.....            | -                           | 1,633,655                   | 1,633,655                   |
| Total current assets.....                                       | <u>59,125,565</u>           | <u>12,032,217</u>           | <u>71,157,782</u>           |
| <b>NONCURRENT:</b>  |                             |                             |                             |
| Restricted cash and cash equivalents.....                       | -                           | 2,234,192                   | 2,234,192                   |
| Receivables, net of allowance for uncollectibles:               |                             |                             |                             |
| Intergovernmental.....  | 358,187                     | -                           | 358,187                     |
| Loans and mortgages.....  | 680,924                     | -                           | 680,924                     |
| Net other postemployment benefits.....                          | -                           | 145,837                     | 145,837                     |
| Capital assets, nondepreciable.....                             | 20,488,811                  | 2,379,012                   | 22,867,823                  |
| Capital assets, net of accumulated depreciation.....            | 47,199,504                  | 43,095,805                  | 90,295,309                  |
| Total noncurrent assets.....                                    | <u>68,727,426</u>           | <u>47,854,846</u>           | <u>116,582,272</u>          |
| <b>TOTAL ASSETS.....</b>  | <u><b>127,852,991</b></u>   | <u><b>59,887,063</b></u>    | <u><b>187,740,054</b></u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                             |                             |                             |
| Deferred outflows related to pensions.....                      | 4,119,564                   | 1,014,605                   | 5,134,169                   |
| Deferred outflows related to other postemployment benefits..... | 1,219,295                   | 107,791                     | 1,327,086                   |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <u><b>5,338,859</b></u>     | <u><b>1,122,396</b></u>     | <u><b>6,461,255</b></u>     |
| <b>LIABILITIES</b>  |                             |                             |                             |
| <b>CURRENT:</b>   |                             |                             |                             |
| Warrants payable.....   | 594,984                     | 4,257,421                   | 4,852,405                   |
| Accrued payroll.....  | 660,267                     | 174,426                     | 834,693                     |
| Accrued interest.....   | 23,725                      | 51,420                      | 75,145                      |
| Other liabilities.....  | 492,781                     | 2,151,822                   | 2,644,603                   |
| Unearned revenue.....   | 365,187                     | -                           | 365,187                     |
| Customer deposits.....  | -                           | 138,869                     | 138,869                     |
| Capital lease obligations.....                                  | 280,201                     | -                           | 280,201                     |
| Compensated absences.....                                       | 1,217,357                   | 182,470                     | 1,399,827                   |
| Notes payable.....  | 752,064                     | 4,487,460                   | 5,239,524                   |
| Bonds payable.....  | 1,048,740                   | 1,302,774                   | 2,351,514                   |
| Total current liabilities.....                                  | <u>5,435,306</u>            | <u>12,746,662</u>           | <u>18,181,968</u>           |
| <b>NONCURRENT:</b>  |                             |                             |                             |
| Capital lease obligations.....                                  | 265,892                     | -                           | 265,892                     |
| Compensated absences.....                                       | 154,697                     | 240,885                     | 395,582                     |
| Net pension liability.....                                      | 35,417,305                  | 8,722,904                   | 44,140,209                  |
| Net other postemployment benefits.....                          | 24,462,141                  | 328,979                     | 24,791,120                  |
| Bonds payable.....  | 7,594,212                   | 12,153,446                  | 19,747,658                  |
| Total noncurrent liabilities.....                               | <u>67,894,247</u>           | <u>21,446,214</u>           | <u>89,340,461</u>           |
| <b>TOTAL LIABILITIES.....</b>                                   | <u><b>73,329,553</b></u>    | <u><b>34,192,876</b></u>    | <u><b>107,522,429</b></u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                             |                             |                             |
| Deferred inflows related to pensions.....                       | 1,979,749                   | 487,591                     | 2,467,340                   |
| Deferred inflows related to other postemployment benefits.....  | 267,631                     | 23,660                      | 291,291                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <u><b>2,247,380</b></u>     | <u><b>511,251</b></u>       | <u><b>2,758,631</b></u>     |
| <b>NET POSITION</b>   |                             |                             |                             |
| Net investment in capital assets.....                           | 57,926,638                  | 28,413,890                  | 86,340,528                  |
| Restricted for:   |                             |                             |                             |
| Affordable housing.....   | 724,658                     | -                           | 724,658                     |
| Rate stabilization.....   | -                           | 1,495,322                   | 1,495,322                   |
| Depreciation.....   | -                           | 259,070                     | 259,070                     |
| Loans.....  | 692,803                     | -                           | 692,803                     |
| Permanent funds:  |                             |                             |                             |
| Expendable.....   | 8,206,312                   | -                           | 8,206,312                   |
| Nonexpendable.....  | 26,652,323                  | -                           | 26,652,323                  |
| Gifts and grants.....   | 2,986,818                   | -                           | 2,986,818                   |
| Unrestricted.....   | <u>(39,574,635)</u>         | <u>(3,862,950)</u>          | <u>(43,437,585)</u>         |
| <b>TOTAL NET POSITION.....</b>                                  | <u><b>\$ 57,614,917</b></u> | <u><b>\$ 26,305,332</b></u> | <u><b>\$ 83,920,249</b></u> |

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

| Functions/Programs                         | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue  |
|--|----------------------|----------------------|------------------------------------|----------------------------------|------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                        |
| <b>Primary Government:</b>                 |                      |                      |                                    |                                  |                        |
| <i>Governmental Activities:</i>            |                      |                      |                                    |                                  |                        |
| General government.....                    | \$ 372,239           | \$ 560,068           | \$ 150,931                         | \$ -                             | \$ 338,760             |
| Finance.....                               | 1,520,185            | 303,079              | -                                  | -                                | (1,217,106)            |
| Public safety.....                         | 8,481,621            | 588,214              | 273,091                            | -                                | (7,620,316)            |
| Education.....                             | 43,560,363           | 1,018,682            | 11,901,143                         | -                                | (30,640,538)           |
| Feoffee's Trust.....                       | 201,874              | 26,029               | 15,889                             | -                                | (159,956)              |
| Public works.....                          | 6,029,649            | 110,238              | 233,091                            | 509,948                          | (5,176,372)            |
| Planning and development.....              | 518,877              | 169,468              | -                                  | -                                | (349,409)              |
| Code enforcement.....                      | 665,553              | 655,541              | -                                  | -                                | (10,012)               |
| Community and cultural services.....       | 847,846              | 79,911               | 252,732                            | -                                | (515,203)              |
| Library.....                               | 1,212,393            | 4,562                | 83,966                             | -                                | (1,123,865)            |
| COVID-19.....                              | 358,980              | -                    | 358,980                            | -                                | -                      |
| Interest.....                              | 371,856              | -                    | 531,424                            | -                                | 159,568                |
| <b>Total Governmental Activities.....</b>  | <b>64,141,436</b>    | <b>3,515,792</b>     | <b>13,801,247</b>                  | <b>509,948</b>                   | <b>(46,314,449)</b>    |
| <i>Business-Type Activities:</i>           |                      |                      |                                    |                                  |                        |
| Water.....                                 | 3,237,278            | 3,622,344            | 41,428                             | -                                | 426,494                |
| Wastewater.....                            | 2,599,659            | 2,555,658            | 45,239                             | -                                | 1,238                  |
| Solid waste and recycling.....             | 72,073               | 101,208              | -                                  | -                                | 29,135                 |
| Municipal Light.....                       | 16,853,995           | 16,863,463           | 15,561                             | -                                | 25,029                 |
| <b>Total Business-Type Activities.....</b> | <b>22,763,005</b>    | <b>23,142,673</b>    | <b>102,228</b>                     | <b>-</b>                         | <b>481,896</b>         |
| <b>Total Primary Government.....</b>       | <b>\$ 86,904,441</b> | <b>\$ 26,658,465</b> | <b>\$ 13,903,475</b>               | <b>\$ 509,948</b>                | <b>\$ (45,832,553)</b> |

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

|   | Primary Government         |                             |                   |
|---|----------------------------|-----------------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total             |
| <b>Changes in net position:</b>   |                            |                             |                   |
| Net (expense) revenue from previous page..... \$                            | (46,314,449)               | 481,896                     | (45,832,553)      |
| <i>General revenues:</i>  |                            |                             |                   |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 42,622,871                 | -                           | 42,622,871        |
| Tax and other liens.....  | 189,333                    | -                           | 189,333           |
| Motor vehicle and other excise taxes.....                                   | 2,210,022                  | -                           | 2,210,022         |
| Hotel/motel tax.....  | 58,993                     | -                           | 58,993            |
| Meals tax.....  | 255,033                    | -                           | 255,033           |
| Penalties and interest on taxes.....  | 173,975                    | -                           | 173,975           |
| Payments in lieu of taxes.....  | 492,163                    | -                           | 492,163           |
| Grants and contributions not restricted to<br>specific programs.....        | 2,210,002                  | -                           | 2,210,002         |
| Unrestricted investment income.....   | 2,371,291                  | -                           | 2,371,291         |
| Miscellaneous.....  | 205,380                    | -                           | 205,380           |
| <b>Total general revenues.....</b>  | <b>50,789,063</b>          | <b>-</b>                    | <b>50,789,063</b> |
| Change in net position.....   | 4,474,614                  | 481,896                     | 4,956,510         |
| <i>Net position:</i>  |                            |                             |                   |
| Beginning of year.....  | 53,140,303                 | 25,823,436                  | 78,963,739        |
| End of year..... \$   | 57,614,917                 | 26,305,332                  | 83,920,249        |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

|   | General              | Feeoffee's<br>Trust  | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                      |                                   |                                |
| Cash and cash equivalents.....  | \$ 13,513,216        | \$ 630,965           | \$ 6,286,971                      | \$ 20,431,152                  |
| Investments.....  | -                    | 31,830,854           | 4,135,367                         | 35,966,221                     |
| Receivables, net of uncollectibles:   |                      |                      |                                   |                                |
| Real estate and personal property taxes.....  | 487,078              | -                    | -                                 | 487,078                        |
| Tax liens.....  | 625,865              | -                    | -                                 | 625,865                        |
| Motor vehicle and other excise taxes.....   | 121,819              | -                    | -                                 | 121,819                        |
| Departmental and other.....   | 132,414              | 1,532                | 18,752                            | 152,698                        |
| Intergovernmental.....  | -                    | -                    | 1,525,304                         | 1,525,304                      |
| Loans and mortgages.....  | -                    | 331,221              | 361,582                           | 692,803                        |
| Tax foreclosures.....   | 161,736              | -                    | -                                 | 161,736                        |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 15,042,128</b> | <b>\$ 32,794,572</b> | <b>\$ 12,327,976</b>              | <b>\$ 60,164,676</b>           |
| <b>LIABILITIES</b>  |                      |                      |                                   |                                |
| Warrants payable.....   | \$ 286,892           | \$ 100               | \$ 307,992                        | \$ 594,984                     |
| Accrued payroll.....  | 614,291              | 160                  | 45,816                            | 660,267                        |
| Other liabilities.....  | 491,671              | -                    | 1,110                             | 492,781                        |
| Unearned revenue.....   | -                    | -                    | 365,187                           | 365,187                        |
| Notes payable.....  | -                    | -                    | 752,064                           | 752,064                        |
| <b>TOTAL LIABILITIES.....</b>   | <b>1,392,854</b>     | <b>260</b>           | <b>1,472,169</b>                  | <b>2,865,283</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                      |                                   |                                |
| Unavailable revenue.....  | 1,307,636            | -                    | 1,311,088                         | 2,618,724                      |
| <b>FUND BALANCES</b>  |                      |                      |                                   |                                |
| Nonspendable.....   | -                    | 25,801,286           | 851,037                           | 26,652,323                     |
| Restricted.....   | -                    | 6,993,026            | 8,935,520                         | 15,928,546                     |
| Assigned.....   | 1,308,010            | -                    | -                                 | 1,308,010                      |
| Unassigned.....   | 11,033,628           | -                    | (241,838)                         | 10,791,790                     |
| <b>TOTAL FUND BALANCES.....</b>   | <b>12,341,638</b>    | <b>32,794,312</b>    | <b>9,544,719</b>                  | <b>54,680,669</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 15,042,128</b> | <b>\$ 32,794,572</b> | <b>\$ 12,327,976</b>              | <b>\$ 60,164,676</b>           |

See notes to basic financial statements.

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

JUNE 30, 2020

|  |                    |                      |
|--|--------------------|----------------------|
| Total governmental fund balances.....  |                    | \$ 54,680,669        |
| Capital assets (net) used in governmental activities are not financial resources<br>and, therefore, are not reported in the funds.....   |                    | 67,688,315           |
| Accounts receivable are not available to pay for current-period<br>expenditures and, therefore, are unavailable in the funds.....  |                    | 2,618,724            |
| The statement of net position includes certain deferred inflows of resources<br>and deferred outflows of resources that will be amortized over future periods.<br>In governmental funds, these amounts are not deferred..... |                    | 3,091,479            |
| In the statement of activities, interest is accrued on outstanding long-term debt,<br>whereas in governmental funds interest is not reported until due.....  |                    | (23,725)             |
| Long-term liabilities are not due and payable in the current period and, therefore,<br>are not reported in the governmental funds:   |                    |                      |
| Bonds payable.....   | (8,642,952)        |                      |
| Net pension liability.....   | (35,417,305)       |                      |
| Net other postemployment benefits.....   | (24,462,141)       |                      |
| Capital lease obligations.....   | (546,093)          |                      |
| Compensated absences.....  | <u>(1,372,054)</u> |                      |
| Net effect of reporting long-term liabilities.....   |                    | <u>(70,440,545)</u>  |
| Net position of governmental activities.....   |                    | <u>\$ 57,614,917</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|   | General              | Feoffee's<br>Trust   | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                      |                      |                                   |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 42,639,865        | \$ -                 | \$ -                              | \$ 42,639,865                  |
| Tax liens.....  | 127,792              | -                    | -                                 | 127,792                        |
| Motor vehicle and other excise taxes.....                                 | 2,192,990            | -                    | 17,831                            | 2,210,821                      |
| Hotel/motel tax.....  | -                    | -                    | 58,993                            | 58,993                         |
| Meals tax.....  | 255,033              | -                    | -                                 | 255,033                        |
| Charges for services.....   | 31,388               | 26,029               | 1,592,812                         | 1,650,229                      |
| Penalties and interest on taxes.....                                      | 173,975              | -                    | -                                 | 173,975                        |
| Payments in lieu of taxes.....  | 492,163              | -                    | -                                 | 492,163                        |
| Licenses and permits.....   | 793,098              | -                    | 124,440                           | 917,538                        |
| Fines and forfeitures.....  | 49,583               | -                    | -                                 | 49,583                         |
| Intergovernmental - state aid.....  | 5,704,567            | -                    | -                                 | 5,704,567                      |
| Intergovernmental - School Building Authority.....                        | 1,389,800            | -                    | -                                 | 1,389,800                      |
| Intergovernmental - Teachers Retirement.....                              | 6,422,036            | -                    | -                                 | 6,422,036                      |
| Intergovernmental - other.....  | -                    | -                    | 3,385,657                         | 3,385,657                      |
| Intergovernmental - COVID-19 relief.....                                  | -                    | -                    | 358,980                           | 358,980                        |
| Departmental and other.....   | 675,695              | 15,889               | 116,552                           | 808,136                        |
| Contributions and donations.....  | -                    | -                    | 131,015                           | 131,015                        |
| Investment income.....  | 303,508              | 2,024,922            | 42,861                            | 2,371,291                      |
| Miscellaneous.....  | -                    | -                    | 388,468                           | 388,468                        |
| <b>TOTAL REVENUES.....</b>  | <b>61,251,493</b>    | <b>2,066,840</b>     | <b>6,217,609</b>                  | <b>69,535,942</b>              |
| <b>EXPENDITURES:</b>  |                      |                      |                                   |                                |
| Current:  |                      |                      |                                   |                                |
| General government.....   | 632,063              | -                    | 348,989                           | 981,052                        |
| Finance.....  | 1,279,791            | -                    | 8,341                             | 1,288,132                      |
| Public safety.....  | 5,298,744            | -                    | 1,103,775                         | 6,402,519                      |
| Education.....  | 28,894,451           | -                    | 4,053,759                         | 32,948,210                     |
| Feoffee's Trust.....  | -                    | 201,874              | -                                 | 201,874                        |
| Public works.....   | 4,034,793            | -                    | 1,195,421                         | 5,230,214                      |
| Planning and development.....   | 272,587              | -                    | 130,878                           | 403,465                        |
| Code enforcement.....   | 455,370              | -                    | 32,214                            | 487,584                        |
| Community and cultural services.....                                      | 477,031              | -                    | 216,161                           | 693,192                        |
| Library.....  | 755,119              | -                    | 96,257                            | 851,376                        |
| Pension benefits.....   | 1,968,026            | -                    | -                                 | 1,968,026                      |
| Pension benefits - Teachers Retirement.....                               | 6,422,036            | -                    | -                                 | 6,422,036                      |
| Property and liability insurance.....                                     | 196,816              | -                    | -                                 | 196,816                        |
| Employee benefits.....  | 1,968,902            | -                    | -                                 | 1,968,902                      |
| COVID-19.....   | -                    | -                    | 358,980                           | 358,980                        |
| State and county charges.....   | 907,131              | -                    | -                                 | 907,131                        |
| Debt service:   |                      |                      |                                   |                                |
| Principal.....  | 3,717,862            | -                    | -                                 | 3,717,862                      |
| Interest.....   | 383,419              | -                    | -                                 | 383,419                        |
| <b>TOTAL EXPENDITURES.....</b>  | <b>57,664,141</b>    | <b>201,874</b>       | <b>7,544,775</b>                  | <b>65,410,790</b>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>3,587,352</b>     | <b>1,864,966</b>     | <b>(1,327,166)</b>                | <b>4,125,152</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                      |                      |                                   |                                |
| Issuance of bonds.....  | -                    | -                    | 317,484                           | 317,484                        |
| Transfers in.....   | 121,917              | -                    | 2,046,494                         | 2,168,411                      |
| Transfers out.....  | (237,839)            | (826,054)            | (1,104,518)                       | (2,168,411)                    |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                          | <b>(115,922)</b>     | <b>(826,054)</b>     | <b>1,259,460</b>                  | <b>317,484</b>                 |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>3,471,430</b>     | <b>1,038,912</b>     | <b>(67,706)</b>                   | <b>4,442,636</b>               |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                            | <b>8,870,208</b>     | <b>31,755,400</b>    | <b>9,612,425</b>                  | <b>50,238,033</b>              |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 12,341,638</b> | <b>\$ 32,794,312</b> | <b>\$ 9,544,719</b>               | <b>\$ 54,680,669</b>           |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|  |                    |                            |
|--|--------------------|----------------------------|
| Net change in fund balances - total governmental funds.....  |                    | \$ 4,442,636               |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>  |                    |                            |
| Capital outlay.....  | 1,864,660          |                            |
| Depreciation expense.....  | <u>(3,361,774)</u> |                            |
| Net effect of reporting capital assets.....  |                    | (1,497,114)                |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>  |                    |                            |
|  |                    | (919,892)                  |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> |                    |                            |
| Principal payments on capital leases.....  | 375,717            |                            |
| Issuance of bonds.....   | (317,484)          |                            |
| Debt service principal payments.....   | <u>3,717,862</u>   |                            |
| Net effect of reporting long-term debt.....  |                    | 3,776,095                  |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>   |                    |                            |
| Net change in compensated absences accrual.....  | (184,495)          |                            |
| Net change in accrued interest on long-term debt.....  | 11,563             |                            |
| Net change in deferred outflow/(inflow) of resources related to pensions.....  | (420,156)          |                            |
| Net change in net pension liability.....   | 429,300            |                            |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...   | (40,393)           |                            |
| Net change in net other postemployment benefits liability.....   | <u>(1,122,930)</u> |                            |
| Net effect of recording long-term liabilities.....   |                    | <u>(1,327,111)</u>         |
| Change in net position of governmental activities.....   |                    | \$ <u><u>4,474,614</u></u> |

See notes to basic financial statements.

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

JUNE 30, 2020

|   | Business-type Activities - Enterprise Funds |                     |                              |                     |                      |
|---|---|---------------------|------------------------------|---------------------|----------------------|
|   | Water                                       | Wastewater          | Solid Waste<br>and Recycling | Municipal<br>Light  | Total                |
| <b>ASSETS</b>   |   |                     |                              |                     |                      |
| <b>CURRENT:</b>   |   |                     |                              |                     |                      |
| Cash and cash equivalents.....                                  | \$ 3,405,104                                | \$ 1,716,941        | \$ 105,564                   | \$ 1,399,605        | \$ 6,627,214         |
| Restricted cash and cash equivalents.....                       | -   | -                   | -                            | 697,350             | 697,350              |
| Receivables, net of allowance for uncollectibles:               |   |                     |                              |                     |                      |
| User charges.....   | 650,725                                     | 352,469             | -                            | 1,926,229           | 2,929,423            |
| Special assessments.....  | -   | 551                 | -                            | -                   | 551                  |
| Inventory.....  | -   | -                   | -                            | 144,024             | 144,024              |
| Purchased power advanced deposits.....                          | -   | -                   | -                            | 1,633,655           | 1,633,655            |
| <b>Total current assets.....</b>                                | <b>4,055,829</b>                            | <b>2,069,961</b>    | <b>105,564</b>               | <b>5,800,863</b>    | <b>12,032,217</b>    |
| <b>NONCURRENT:</b>  |   |                     |                              |                     |                      |
| Restricted cash and cash equivalents.....                       | -   | -                   | -                            | 2,234,192           | 2,234,192            |
| Net other postemployment benefits.....                          | 135,154                                     | 10,683              | -                            | -                   | 145,837              |
| Capital assets, non depreciable.....                            | 1,484,129                                   | 871,907             | -                            | 22,976              | 2,379,012            |
| Capital assets, net of accumulated depreciation.....            | 17,912,996                                  | 10,493,867          | -                            | 14,688,942          | 43,095,805           |
| <b>Total noncurrent assets.....</b>                             | <b>19,532,279</b>                           | <b>11,376,457</b>   | <b>-</b>                     | <b>16,946,110</b>   | <b>47,854,846</b>    |
| <b>TOTAL ASSETS.....</b>  | <b>23,588,108</b>                           | <b>13,446,418</b>   | <b>105,564</b>               | <b>22,746,973</b>   | <b>59,887,063</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |   |                     |                              |                     |                      |
| Deferred outflows related to pensions.....                      | 280,756                                     | 209,680             | -                            | 524,169             | 1,014,605            |
| Deferred outflows related to other postemployment benefits..... | 20,347                                      | 14,628              | -                            | 72,816              | 107,791              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <b>301,103</b>                              | <b>224,308</b>      | <b>-</b>                     | <b>596,985</b>      | <b>1,122,396</b>     |
| <b>LIABILITIES</b>  |   |                     |                              |                     |                      |
| <b>CURRENT:</b>   |   |                     |                              |                     |                      |
| Warrants payable.....   | 967,767                                     | 165,978             | 36,840                       | 3,086,836           | 4,257,421            |
| Accrued payroll.....  | 66,993                                      | 29,132              | -                            | 78,301              | 174,426              |
| Accrued interest.....   | 13,983                                      | 23,364              | -                            | 14,073              | 51,420               |
| Other liabilities.....  | -   | -                   | -                            | 2,151,822           | 2,151,822            |
| Customer deposits.....  | -   | -                   | -                            | 138,869             | 138,869              |
| Compensated absences.....                                       | 114,735                                     | 44,835              | -                            | 22,900              | 182,470              |
| Notes payable.....  | 4,487,460                                   | -                   | -                            | -                   | 4,487,460            |
| Bonds payable.....  | 394,764                                     | 428,010             | -                            | 480,000             | 1,302,774            |
| <b>Total current liabilities.....</b>                           | <b>6,045,702</b>                            | <b>691,319</b>      | <b>36,840</b>                | <b>5,972,801</b>    | <b>12,746,662</b>    |
| <b>NONCURRENT:</b>  |   |                     |                              |                     |                      |
| Compensated absences.....                                       | 30,616                                      | 3,750               | -                            | 206,519             | 240,885              |
| Net pension liability.....                                      | 2,413,754                                   | 1,802,688           | -                            | 4,506,462           | 8,722,904            |
| Net other postemployment benefits.....                          | -   | -                   | -                            | 328,979             | 328,979              |
| Bonds payable.....  | 4,059,497                                   | 4,603,949           | -                            | 3,490,000           | 12,153,446           |
| <b>Total noncurrent liabilities.....</b>                        | <b>6,503,867</b>                            | <b>6,410,387</b>    | <b>-</b>                     | <b>8,531,960</b>    | <b>21,446,214</b>    |
| <b>TOTAL LIABILITIES.....</b>                                   | <b>12,549,569</b>                           | <b>7,101,706</b>    | <b>36,840</b>                | <b>14,504,761</b>   | <b>34,192,876</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |   |                     |                              |                     |                      |
| Deferred inflows related to pensions.....                       | 134,924                                     | 100,766             | -                            | 251,901             | 487,591              |
| Deferred inflows related to other postemployment benefits.....  | 4,466                                       | 3,211               | -                            | 15,983              | 23,660               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <b>139,390</b>                              | <b>103,977</b>      | <b>-</b>                     | <b>267,884</b>      | <b>511,251</b>       |
| <b>NET POSITION</b>   |   |                     |                              |                     |                      |
| Net investment in capital assets.....                           | 11,302,932                                  | 6,369,040           | -                            | 10,741,918          | 28,413,890           |
| Restricted for:   |   |                     |                              |                     |                      |
| Rate stabilization.....   | -   | -                   | -                            | 1,495,322           | 1,495,322            |
| Depreciation.....   | -   | -                   | -                            | 259,070             | 259,070              |
| Unrestricted.....   | (102,680)                                   | 96,003              | 68,724                       | (3,924,997)         | (3,862,950)          |
| <b>TOTAL NET POSITION.....</b>                                  | <b>\$ 11,200,252</b>                        | <b>\$ 6,465,043</b> | <b>\$ 68,724</b>             | <b>\$ 8,571,313</b> | <b>\$ 26,305,332</b> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|   | Business-type Activities - Enterprise Funds |                     |                              |                     |                      |
|---|---|---------------------|------------------------------|---------------------|----------------------|
|   | Water                                       | Wastewater          | Solid Waste<br>and Recycling | Municipal<br>Light  | Total                |
| <b>OPERATING REVENUES:</b>                                  |   |                     |                              |                     |                      |
| Charges for services.....                                   | \$ 3,622,344                                | \$ 2,555,658        | \$ 98,992                    | \$ 16,479,669       | \$ 22,756,663        |
| Other operating revenues.....                               | -   | -                   | 2,216                        | 383,794             | 386,010              |
| <b>TOTAL OPERATING REVENUES .....</b>                       | <b>3,622,344</b>                            | <b>2,555,658</b>    | <b>101,208</b>               | <b>16,863,463</b>   | <b>23,142,673</b>    |
| <b>OPERATING EXPENSES:</b>                                  |   |                     |                              |                     |                      |
| Cost of services and administration.....                    | 1,145,656                                   | 1,010,703           | 71,138                       | 12,959,859          | 15,187,356           |
| Salaries and wages.....                                     | 1,236,914                                   | 916,790             | 935                          | 2,724,487           | 4,879,126            |
| Depreciation.....   | 702,064                                     | 550,324             | -                            | 1,001,256           | 2,253,644            |
| <b>TOTAL OPERATING EXPENSES.....</b>                        | <b>3,084,634</b>                            | <b>2,477,817</b>    | <b>72,073</b>                | <b>16,685,602</b>   | <b>22,320,126</b>    |
| <b>OPERATING INCOME (LOSS).....</b>                         | <b>537,710</b>                              | <b>77,841</b>       | <b>29,135</b>                | <b>177,861</b>      | <b>822,547</b>       |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                    |   |                     |                              |                     |                      |
| Investment income.....                                      | 41,428                                      | 45,239              | -                            | 15,561              | 102,228              |
| Interest expense.....                                       | (152,644)                                   | (121,842)           | -                            | (168,393)           | (442,879)            |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES), NET.....</b> | <b>(111,216)</b>                            | <b>(76,603)</b>     | <b>-</b>                     | <b>(152,832)</b>    | <b>(340,651)</b>     |
| <b>CHANGE IN NET POSITION.....</b>                          | <b>426,494</b>                              | <b>1,238</b>        | <b>29,135</b>                | <b>25,029</b>       | <b>481,896</b>       |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>               | <b>10,773,758</b>                           | <b>6,463,805</b>    | <b>39,589</b>                | <b>8,546,284</b>    | <b>25,823,436</b>    |
| <b>NET POSITION AT END OF YEAR.....</b>                     | <b>\$ 11,200,252</b>                        | <b>\$ 6,465,043</b> | <b>\$ 68,724</b>             | <b>\$ 8,571,313</b> | <b>\$ 26,305,332</b> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|  | Business-type Activities - Enterprise Funds |                     |                              |                     |                     |
|--|---|---------------------|------------------------------|---------------------|---------------------|
|  | Water                                       | Wastewater          | Solid Waste<br>and Recycling | Municipal<br>Light  | Total               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                     |   |                     |                              |                     |                     |
| Receipts from customers and users.....   | \$ 3,681,226                                | \$ 2,528,854        | \$ 101,208                   | \$ 17,013,279       | \$ 23,324,567       |
| Payments to vendors.....   | (1,105,753)                                 | (394,875)           | (113,162)                    | (10,589,137)        | (12,202,927)        |
| Payments to employees.....   | (1,184,535)                                 | (906,372)           | (2,889)                      | (2,693,207)         | (4,787,003)         |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>1,390,938</b>                            | <b>1,227,607</b>    | <b>(14,843)</b>              | <b>3,730,935</b>    | <b>6,334,637</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                 |   |                     |                              |                     |                     |
| Proceeds from the issuance of bonds and notes.....                               | 4,487,460                                   | -                   | -                            | -                   | 4,487,460           |
| Acquisition and construction of capital assets.....                              | (2,434,088)                                 | (446,114)           | -                            | (1,507,634)         | (4,387,836)         |
| Principal payments on bonds and notes.....                                       | (1,952,216)                                 | (428,904)           | -                            | (480,000)           | (2,861,120)         |
| Interest expense.....  | (154,781)                                   | (123,914)           | -                            | (170,476)           | (449,171)           |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>               | <b>(53,625)</b>                             | <b>(998,932)</b>    | <b>-</b>                     | <b>(2,158,110)</b>  | <b>(3,210,667)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |   |                     |                              |                     |                     |
| Investment income.....   | 41,428                                      | 45,239              | -                            | 15,561              | 102,228             |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>                              | <b>1,378,741</b>                            | <b>273,914</b>      | <b>(14,843)</b>              | <b>1,588,386</b>    | <b>3,226,198</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>                       | <b>2,026,363</b>                            | <b>1,443,027</b>    | <b>120,407</b>               | <b>2,742,761</b>    | <b>6,332,558</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>                             | <b>\$ 3,405,104</b>                         | <b>\$ 1,716,941</b> | <b>\$ 105,564</b>            | <b>\$ 4,331,147</b> | <b>\$ 9,558,756</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>                     |   |                     |                              |                     |                     |
| <b>FROM OPERATING ACTIVITIES:</b>  |   |                     |                              |                     |                     |
| Operating income (loss).....   | \$ 537,710                                  | \$ 77,841           | \$ 29,135                    | \$ 177,861          | \$ 822,547          |
| Adjustments to reconcile operating income to net cash from operating activities: |   |                     |                              |                     |                     |
| Depreciation.....  | 702,064                                     | 550,324             | -                            | 1,001,256           | 2,253,644           |
| Deferred (outflows)/inflows related to pensions.....                             | 17,911                                      | 764                 | -                            | (15,530)            | 3,145               |
| Deferred (outflows)/inflows related to other postemployment benefits.....        | 8,264                                       | (5,871)             | -                            | 6,205               | 8,598               |
| User charges.....  | 58,882                                      | (26,804)            | -                            | 126,087             | 158,165             |
| Inventory.....   | -   | -                   | -                            | 25,372              | 25,372              |
| Purchased power advanced deposits.....   | -   | -                   | -                            | 2,970               | 2,970               |
| Warrants payable.....  | 127,076                                     | 161,801             | (42,024)                     | 1,409,771           | 1,656,624           |
| Accrued payroll.....   | 27,850                                      | 4,848               | (1,954)                      | 18,393              | 49,137              |
| Customer deposits.....   | -   | -                   | -                            | 23,729              | 23,729              |
| Other liabilities.....   | -   | -                   | -                            | 187,018             | 187,018             |
| Compensated absences.....  | 16,265                                      | 11,441              | -                            | 6,682               | 34,388              |
| Net pension liability.....   | 120,891                                     | 266,904             | -                            | 911,426             | 1,299,221           |
| Net other postemployment benefits.....   | (225,975)                                   | 186,359             | -                            | (150,305)           | (189,921)           |
| <b>Total adjustments.....</b>  | <b>853,228</b>                              | <b>1,149,766</b>    | <b>(43,978)</b>              | <b>3,553,074</b>    | <b>5,512,090</b>    |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>\$ 1,390,938</b>                         | <b>\$ 1,227,607</b> | <b>\$ (14,843)</b>           | <b>\$ 3,730,935</b> | <b>\$ 6,334,637</b> |
| <b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>                     |   |                     |                              |                     |                     |
| Acquisition of capital assets on account.....                                    | \$ 538,562                                  | \$ -                | \$ -                         | \$ -                | \$ 538,562          |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

|  | Other<br>Postemployment<br>Benefit<br>Trust Fund | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|--|--|-----------------------------------|-----------------|
| <b>ASSETS</b>  |  |                                   |                 |
| Cash and cash equivalents.....                       | \$ 367,202                                       | \$ 299,960                        | \$ 478,503      |
| Investments:   |  |                                   |                 |
| Investments in Pension Reserve Investment Trust..... | 5,249,305  | -                                 | -               |
| <b>TOTAL ASSETS</b> .....                            | <b>5,616,507</b>                                 | <b>299,960</b>                    | <b>478,503</b>  |
| <b>LIABILITIES</b>                                   |  |                                   |                 |
| Liabilities due depositors.....                      | -  | -                                 | 478,503         |
| <b>NET POSITION</b>                                  |  |                                   |                 |
| Restricted for other postemployment benefits.....    | 5,616,507  | -                                 | -               |
| Held in trust for other purposes.....                | -  | 299,960                           | -               |
| <b>TOTAL NET POSITION</b> .....                      | <b>\$ 5,616,507</b>                              | <b>\$ 299,960</b>                 | <b>\$ -</b>     |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

|   | <u>Other<br/>Postemployment<br/>Benefit<br/>Trust Fund</u> | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|---|--|--|
| <b><u>ADDITIONS:</u></b>  |  |  |
| Contributions:  |  |  |
| Employer contributions.....   | \$ 439,058   | \$ -                                       |
| Employer contributions for other postemployment benefit payments..... | <u>1,282,897</u>   | <u>-</u>                                   |
| Total contributions.....  | <u>1,721,955</u>   | <u>-</u>                                   |
| Net investment income:  |  |  |
| Investment income.....  | <u>100,417</u>   | <u>3,182</u>                               |
| TOTAL ADDITIONS.....  | <u>1,822,372</u>   | <u>3,182</u>                               |
| <b><u>DEDUCTIONS:</u></b>   |  |  |
| Other postemployment benefit payments.....                            | <u>1,282,897</u>   | <u>-</u>                                   |
| NET INCREASE (DECREASE) IN NET POSITION.....                          | 539,475  | 3,182                                      |
| NET POSITION AT BEGINNING OF YEAR.....                                | <u>5,077,032</u>   | <u>296,778</u>                             |
| NET POSITION AT END OF YEAR.....                                      | <u>\$ 5,616,507</u>  | <u>\$ 299,960</u>                          |

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that require inclusion in the basic financial statements.

*Joint Ventures*

The Town is a member of the Essex North Shore Agricultural & Technical School District that serves the members' students seeking an education in academic, technical and agriculture studies. The members' share in the operations of the Essex North Shore Agricultural & Technical School District and each member is responsible for its proportionate share of the operational and capital cost of the Essex North Shore Agricultural & Technical School District, which are paid in the form of assessments. The Town does not have an equity interest in the Essex North Shore Agricultural & Technical School District and the 2020 assessment was approximately \$162,300.

The Town is a member of Whittier Regional Vocational High School that serves the members' students seeking an education in vocational technical studies. The members' share in the operations of Whittier Regional Vocational High School and each member is responsible for its proportionate share of the operational and capital cost of Whittier Regional Vocational High School, which are paid in the form of assessments. The Town does not have an equity interest in Whittier Regional Vocational High School and the 2020 assessment was approximately \$455,200.

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

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

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *Feoffee's trust fund* is used to account for the activities of the Feoffees of the Grammar School in the Town of Ipswich Trust which was created by a court order to administer the bequest of William Paine in 1660 to benefit the Ipswich Public Schools.

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

The *solid waste and recycling enterprise fund* is used to account for the Town's solid waste and recycling.

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

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

The following fiduciary fund types are reported:

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

The *private purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town maintains one private purpose trust fund for scholarships.

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

#### D. Cash and Investments

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

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

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. Investments that do not have an established market are reported at estimated fair values.

#### E. Fair Value Measurements

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

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

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

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

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

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

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

#### F. Accounts Receivable

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

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

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

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

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

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

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

**Motor Vehicle and Other Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

**User Fees**

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and wastewater liens are processed once a year and included as a lien on the property owner's tax bill. Water and wastewater charges and liens are recorded as receivables in the year of the levy and are recorded under the modified accrual basis of accounting.

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

**Departmental and Other**

Departmental and other receivables consist primarily of amounts due from police and fire details and are recorded as receivables in the year accrued.

**Intergovernmental**

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

The Town levies 0.75% for the sale of restaurant meals in accordance with Massachusetts General Law, Chapter 64L, Section 2. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the Town in quarterly distributions. The meals tax receivable is categorized as an intergovernmental receivable.

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

**Special Assessments**

The Town assesses wastewater betterments in connection with certain wastewater construction projects.

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

**Mortgages**

The mortgages were issued by the Feoffee's trust for the sale of properties in Little Neck in accordance with the

terms of the Trust Administration Order (TAO) and are 6% interest only for 5 years, with a 20 year fixed, amortizing loan option at the end of the 5 year term.

The Feoffees receive monthly interest payments from the mortgage borrowers.

### **Loans**

Loans receivable consist of community development first-time homebuyer and housing rehabilitation loans.

These loans are secured via the lien process and therefore do not report an allowance for uncollectibles.

### G. Inventories

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

Inventories, other than those associated with the municipal light enterprise fund, are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Inventories of the municipal light enterprise fund consist of materials, supplies and fuel oil inventory and are carried at the lower of cost or market, determined by the first-in, first-out method.

### H. Restricted Assets

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

Assets set aside for meter deposits, rate stabilization, funded depreciation, and a conservation reserve, in the municipal light enterprise fund, are classified as restricted.

### I. Deferred Outflows/Inflows of Resources

#### *Government-Wide Financial Statements (Net Position)*

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

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

#### *Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not

available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

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

Capital assets (excluding land) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws (MGL). The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u>       | <u>Estimated Useful Life (in years)</u> |
|---------------------------------|---|
| Buildings and improvements..... | 40                                      |
| Machinery and equipment.....    | 5                                       |
| Vehicles.....                   | 10                                      |
| Infrastructure.....             | 50 - 75                                 |

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

*Governmental Fund Financial Statements*

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

K. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

L. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

M. Unavailable Revenue

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

N. Pensions

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

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

Net position reported as net investment in capital assets includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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

Net position has been “restricted for” the following:

“Affordable housing” represents amounts restricted for a fund (established in accordance with MGL, Chapter 44, Section 53E ½) used to account for activities related to the creation and preservation of affordable housing for the benefit of low to moderate income households.

“Rate stabilization” represents amounts restricted for the purpose of minimizing exposure to rate fluctuations in the municipal light industry. The fund may also be used to help the Municipal Light Department maintain a competitive position in the marketplace or for other unexpected costs.

“Depreciation” represents amounts restricted pursuant to provisions of the MGL. Cash, in an amount equivalent to the annual depreciation expense, is transferred from unrestricted municipal light funds to the depreciation fund. Interest earned on the balance of the fund remains in the fund. The depreciation fund may be used for capital improvements and upgrades to utility plant assets, nuclear decommissioning costs, the costs of contractual commitments, the costs of related debt service and deferred costs and debt services costs related to such commitments, which the Municipal Light Commission determine are above market value.

“Loans” represents community development outstanding loans receivable balances for the first time homebuyer program.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

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

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

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

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

#### P. Long-term debt

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

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

##### *Governmental Fund Financial Statements*

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

#### Q. Investment Income

Excluding the permanent funds, investment income derived from special revenue and capital project funds is legally assigned to the general fund unless otherwise directed by MGL.

#### R. Compensated Absences

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

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

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

*Governmental Fund Financial Statements*

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

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

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

T. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

Deposits and investments of the Feoffee's Trust are managed by the Feoffees under the Town's tax identification number. They are not held in the custody of the Town Treasurer and operate under the Investment Policy adopted by the Feoffees. Since deposits are held under the Town's tax identification number, deposits of the Feoffee's Trust are included within the Town's Custodial Credit Risk disclosures below. Investments of the Feoffee's Trust are reported separately in the Town's investment disclosures that follow.

The Healthcare Security Trust Board of Trustees is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2020, \$5,616,507, from the OPEB Trust Fund is included within the Town's cash and investment balances in the following disclosures.

The OPEB Trust Fund is invested in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board (PRIM), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Ipswich’s deposits may not be returned to it. The Town does have a policy for custodial credit risk that all deposits be held in the name of the Town or in the Town’s federal tax identification number. At year-end, the carrying amount of deposits totaled \$29,838,366, and the bank balance totaled \$29,922,747. Of the bank balance, \$2,212,511 was covered by Federal Depository Insurance, \$21,328,012 was covered by the Depositors Insurance Fund, and \$6,382,224 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

| <u>Investment Type</u>                       | <u>Fair value</u> | <u>Maturities</u>   |                  |
|--|-------------------|---------------------|------------------|
|  |                   | <u>Under 1 Year</u> | <u>1-5 Years</u> |
| <u>Debt securities:</u>                      |                   |                     |                  |
| U.S. treasury notes.....                     | \$ 568,812        | \$ 237,542          | \$ 331,270       |
| Government sponsored enterprises.....        | 497,152           | -                   | 497,152          |
| Corporate bonds.....                         | 1,178,989         | 326,376             | 852,613          |
| Total debt securities.....                   | 2,244,953         | \$ 563,918          | \$ 1,681,035     |
| <u>Other investments:</u>                    |                   |                     |                  |
| Equity securities.....                       | 1,377,319         |                     |                  |
| Mutual funds.....                            | 138,463           |                     |                  |
| Fixed income.....                            | 119,738           |                     |                  |
| Real estate mutual funds.....                | 70,653            |                     |                  |
| International mutual funds.....              | 184,241           |                     |                  |
| Money market mutual funds.....               | 221,258           |                     |                  |
| Pension Reserve Investment Trust (PRIT)..... | 5,249,305         |                     |                  |
| MMDT - Cash portfolio.....                   | 444,984           |                     |                  |
| Total investments.....                       | \$ 10,050,914     |                     |                  |

At June 30, 2020, MMDT’s cash portfolio had a weighted average maturity of 33 days.

The effective weighted duration rate for PRIT investments ranged from 0.14 to 16.03 years.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the

Town's investments in debt securities, \$568,812 in U.S. treasury notes, \$497,152 in government sponsored enterprises, and \$1,178,989 in corporate bonds along with \$1,377,319 in equity securities and are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

### Interest Rate Risk

The Town's interest rate risk policy was set up to minimize interest rate risk by structuring the Town's investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Town also invests operating funds in shorter-term securities such as money market mutual funds or similar investment pools which limits the average maturity of the portfolio which limits the risk of changes in interest rates.

### Credit Risk

The Town's credit risk policy limits investments to certain securities, prequalifies the financial institution, and diversifies the investment portfolio minimizing losses from any one type of security or from any one issuer. At June 30, 2020, the Town's investments were rated as follows:

| <u>Quality Rating</u> | <u>Government<br/>Sponsored<br/>Enterprises</u> | <u>Corporate<br/>Bonds</u> |
|-----------------------|---|----------------------------|
| AAA.....              | \$ -  | \$ 213,418                 |
| AA+.....              | 497,152   | -                          |
| A+.....               | -   | 112,153                    |
| A-.....               | -   | 431,041                    |
| AA-.....              | -   | 123,884                    |
| BBB.....              | -   | 197,188                    |
| BBB+.....             | -   | 101,305                    |
| Total.....            | <u>\$ 497,152</u>                               | <u>\$ 1,178,989</u>        |

The Town's investments in MMDT and PRIT are unrated.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's concentration of credit risk policy diversifies the investment portfolio minimizing losses from any one type of security or from any one issuer.

As of June 30, 2020, no more than 5 percent of the Town's investments are invested in any one issuer.

### Fair Value Measurement

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

The following table presents financial assets at June 30, 2020, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

| Investment Type                                 | June 30,<br>2020 | Fair Value Measurements Using  |   |  |
|---|------------------|--|---|--|
|   |                  | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>      |                  |  |   |  |
| <u>Debt securities:</u>                         |                  |  |   |  |
| U.S. treasury notes.....                        | \$ 568,812       | \$ 568,812   | \$ -  | \$ -   |
| Government sponsored enterprises.....           | 497,152          | 497,152  | -   | -  |
| Corporate bonds.....                            | 1,178,989        | -  | 1,178,989   | -  |
| Total debt securities.....                      | 2,244,953        | 1,065,964  | 1,178,989   | -  |
| <u>Other investments:</u>                       |                  |  |   |  |
| Equity securities.....                          | 1,377,319        | 1,377,319  | -   | -  |
| Mutual funds.....                               | 138,463          | 138,463  | -   | -  |
| Fixed income.....                               | 119,738          | 119,738  | -   | -  |
| Real estate mutual funds.....                   | 70,653           | -  | -   | 70,653   |
| International mutual funds.....                 | 184,241          | -  | -   | 184,241  |
| Money market mutual funds.....                  | 221,258          | 221,258  | -   | -  |
| Total other investments.....                    | 2,111,672        | 1,856,778  | -   | 254,894  |
| Total investments measured at fair value.....   | 4,356,625        | \$ 2,922,742   | \$ 1,178,989  | \$ 254,894   |
| <b>Investments measured at amortized cost:</b>  |                  |  |   |  |
| MMDT - Cash portfolio.....                      | 444,984          |  |   |  |
| <b>Investments measured at net asset value:</b> |                  |  |   |  |
| Pension Reserve Investment Trust (PRIT).....    | 5,249,305        |  |   |  |
| Total investments.....                          | \$ 10,050,914    |  |   |  |

U.S. treasury notes, government sponsored enterprises, equity securities, mutual funds, fixed income, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Real estate mutual funds, and international mutual funds are classified in Level 3 of the fair value hierarchy and are valued using significant unobservable inputs.

PRIM investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIM is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIM.

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

Deposits and Investments of the Feoffee's Trust

As of June 30, 2020, the carrying amount of deposits in the Feoffee's Trust totaled \$179,227 and the bank balance totaled \$179,227. The entire bank balance was covered by the Depositor Insurance Fund ("DIF"); therefore, the Trust did not have any deposits that were exposed to custodial credit risk.

Investments and Distribution of Earnings

The Feoffees have adopted an Investment Policy which sets forth both return objectives and asset allocation guidelines for the Trust based on long-term fundamental objectives. The Trust's average annual total return objective over the long-term is to meet or exceed a proposed spending rate plus inflation, as defined by the Consumer Price Index, plus expenses.

In accordance with these goals, the Board adopted the following investment asset allocation parameters:

| <u>Asset Class</u>                        | <u>Allocation<br/>Range</u> |
|---|-----------------------------|
| Traditional Equity Securities.....        | 40% - 50%                   |
| Non-Traditional Equity Securities.....    | 15% - 25%                   |
| High Quality Fixed Income Securities..... | 10% - 20%                   |
| Credit Opportunities.....                 | 0% - 10%                    |
| Cash.....                                 | 5% - 10%                    |
| Illiquid Investments.....                 | 0% - 5%                     |
| Real Assets.....                          | 5% - 10%                    |

A portion of the assets are held in the form of mortgages granted to prior tenants of the land in Ipswich. Most of these mortgages were initially for a five-year term, at a 6% rate of interest with no principal payments over that period. As these mortgages are refinanced privately, and the original note is paid off, the proceeds from such payoffs are added to the investment fund. While the mortgages are outstanding, they are considered as part of the fixed income allocation. As of June 30, 2020, there are 2 unpaid mortgages outstanding with a total balance of \$331,000.

The Trust defines the investment asset classes as follows:

|   |  |
|---|--|
| High Quality Fixed Income Securities... | Investments in high quality fixed income debt instruments.                     |
| Traditional Equity Securities.....      | Investments in both U.S. and international stocks.                             |
| Non-Traditional Equity Securities.....  | Investments in long/short term hedge funds both U.S. and international.        |
| Credit Opportunities.....               | Investments in high yield debt, distressed debt, and similar debt instruments. |
| Real Assets.....                        | Investments in commodities, inflation-adjusted bonds, and real estate.         |
| Money Market Mutual Funds.....          | Investments in high quality, short-term debt instruments.                      |

The Feoffees monitor compliance with their Investment Policy Statement (IPS) by reviewing the overall sector allocation of all investment sources on a quarterly basis. That allocation is compared to the acceptable range for each asset class as outlined in the IPS created by the Feoffees. In the event that any investment sector falls outside of the acceptable range set forth in the IPS, the Feoffees instruct their investment managers to reallocate accordingly. The Feoffees set out to craft an allocation strategy consistent with the Trust’s stated goal of yearly distributions to the Ipswich Public Schools in conjunction with the long-term sustainability and growth of the Trust’s corpus. In an effort to maintain sufficient liquidity in the Trust, the Feoffees monitor the balance between traditional and alternative asset classes as part of our quarterly review process.

The following funds have been allocated to the investment managers as of June 30, 2020:

| <u>Investment Type</u>         | <u>Fair value</u> | <u>Maturities</u>   |                  |                   |
|--------------------------------|-------------------|---------------------|------------------|-------------------|
|                                |                   | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |
| <u>Debt securities:</u>        |                   |                     |                  |                   |
| U.S. treasury notes.....       | \$ 485,385        | \$ -                | \$ 464,075       | \$ 21,310         |
| Corporate bonds.....           | 835,624           | 106,415             | 668,387          | 60,822            |
| Municipal bonds.....           | 305,822           | 66,161              | 239,661          | -                 |
| Total debt securities.....     | 1,626,831         | \$ 172,576          | \$ 1,372,123     | \$ 82,132         |
| <u>Other investments:</u>      |                   |                     |                  |                   |
| Equity securities.....         | 16,421,264        |                     |                  |                   |
| Fixed income mutual funds..... | 2,694,980         |                     |                  |                   |
| Equity mutual funds.....       | 2,841,752         |                     |                  |                   |
| Exchange traded funds.....     | 3,361,798         |                     |                  |                   |
| Money market mutual funds..... | 451,478           |                     |                  |                   |
| Limited Partnerships.....      | 4,884,229         |                     |                  |                   |
| Total investments.....         | \$ 32,282,332     |                     |                  |                   |

The Trust has entered into a Limited Partnership to manage a portion of the Trust’s endowment. Aureus Asset Management, LLC is the managing member of the Limited Partnership. The remainder of the Trust’s endowment is managed through brokerage accounts with Fidelity as the custodian. As of June 30, 2020, the Limited Partnership totaled approximately \$4.9 million bringing the total Limited Partnership to 15% of the Trust’s investments. Limited Partnerships are not readily marketable. The market values of assets under the management of the limited partnership are determined by the General Partners of the partnership. The Limited Partnership provides the Trust with exposure to both geographies outside of the United States and alternative asset classes, such as hedge funds, debt instruments and commodities.

With the assistance of qualified investment managers, portfolio or endowment advisors, or other professionals, and the approval of the School Committee, the Feoffees have established a written distribution policy that defines how the annual distributions from the trust are to be calculated and made. Earnings on investments are to be calculated and distributed according the distribution policy to the School Committee annually, no later than the day before the start of the fiscal year. The amount of these anticipated distributions must be reported to the School Committee by October 1<sup>st</sup> of each year.

At June 30, 2020, the Trust’s Debt Securities were rated as follows:

|                                    | Corporate<br>Bonds          | Municipal<br>Bonds          |
|------------------------------------|-----------------------------|-----------------------------|
|                                    | <u>                    </u> | <u>                    </u> |
| Moody's Investors Service Ratings: |                             |                             |
| Aaa..... \$                        | 80,826                      | \$ 96,987                   |
| Aa1.....                           | 40,710                      | 72,236                      |
| Aa2.....                           | 78,611                      | 68,361                      |
| Aa3.....                           | 68,250                      | -                           |
| A1.....                            | 120,380                     | 36,510                      |
| A2.....                            | 158,028                     | -                           |
| A3.....                            | 114,635                     | -                           |
| Baa1.....                          | 82,823                      | -                           |
| Baa2.....                          | 91,361                      | -                           |
| Standard & Poor's Ratings:         |                             |                             |
| AA.....                            | -                           | 31,728                      |
|                                    | <u>                    </u> | <u>                    </u> |
| Total..... \$                      | <u>835,624</u>              | <u>\$ 305,822</u>           |

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust has the recurring fair value measurements as of June 30, 2020 as noted on the following page.

| Investment Type                                 | June 30,<br>2020     | Fair Value Measurements Using  |   |  |
|---|----------------------|--|---|--|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>      |                      |  |   |  |
| <u>Debt securities:</u>                         |                      |  |   |  |
| U.S. treasury notes.....                        | \$ 485,385           | \$ 485,385   | \$ -  | \$ -   |
| Corporate bonds.....                            | 835,624              | -  | 835,624   | -  |
| Municipal bonds.....                            | 305,822              | -  | 305,822   | -  |
| Total debt securities.....                      | <u>1,626,831</u>     | <u>485,385</u>   | <u>1,141,446</u>  | <u>-</u>   |
| <u>Other investments:</u>                       |                      |  |   |  |
| Equity securities.....                          | 16,421,264           | 16,421,264   | -   | -  |
| Fixed income mutual funds.....                  | 2,694,980            | 2,694,980  | -   | -  |
| Equity mutual funds.....                        | 2,841,752            | 2,841,752  | -   | -  |
| Money market mutual funds.....                  | 451,478              | 451,478  | -   | -  |
| Limited Partnerships.....                       | 4,884,229            | -  | -   | 4,884,229  |
| Total other investments.....                    | <u>27,293,703</u>    | <u>22,409,474</u>  | <u>-</u>  | <u>4,884,229</u>                                   |
| Total investments.....                          | <u>\$ 28,920,534</u> | <u>\$ 22,894,859</u>   | <u>\$ 1,141,446</u>                                       | <u>\$ 4,884,229</u>                                |
| <b>Investments measured at net asset value:</b> |                      |  |   |  |
| Exchange traded funds.....                      | <u>3,361,798</u>     |  |   |  |
| Total investments.....                          | <u>\$ 32,282,332</u> |  |   |  |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Limited partnerships classified in Level 3 are determined by the General Partners of those partnerships.

**NOTE 3 – RECEIVABLES**

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

|  | Gross<br>Amount         | Allowance<br>for<br>Uncollectibles | Net<br>Amount           |
|--|-------------------------|------------------------------------|-------------------------|
| <u>Receivables:</u>                          |                         |                                    |                         |
| Real estate and personal property taxes..... | \$ 505,034              | \$ (17,956)                        | \$ 487,078              |
| Tax liens.....                               | 625,865                 | -                                  | 625,865                 |
| Motor vehicle and other excise taxes.....    | 174,542                 | (52,723)                           | 121,819                 |
| Departmental and other.....                  | 152,698                 | -                                  | 152,698                 |
| Intergovernmental.....                       | 1,525,304               | -                                  | 1,525,304               |
| Loans and mortgages.....                     | 692,803                 | -                                  | 692,803                 |
| <br>Total.....                               | <br>\$ <u>3,676,246</u> | <br>\$ <u>(70,679)</u>             | <br>\$ <u>3,605,567</u> |

At June 30, 2020, receivables for the enterprise funds consist of the following:

|                                     | Gross<br>Amount         | Allowance<br>for<br>Uncollectibles | Net<br>Amount           |
|-------------------------------------|-------------------------|------------------------------------|-------------------------|
| <u>Receivables:</u>                 |                         |                                    |                         |
| Water user charges.....             | \$ 650,725              | \$ -                               | \$ 650,725              |
| Wastewater user charges.....        | 352,469                 | -                                  | 352,469                 |
| Wastewater special assessments..... | 551                     | -                                  | 551                     |
| Municipal light user charges.....   | 2,155,736               | (229,507)                          | 1,926,229               |
| <br>Total.....                      | <br>\$ <u>3,159,481</u> | <br>\$ <u>(229,507)</u>            | <br>\$ <u>2,929,974</u> |

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

|   | General<br>Fund         | Other<br>Governmental<br>Funds | Total                   |
|---|-------------------------|--------------------------------|-------------------------|
| <u>Receivables and other asset types:</u>     |                         |                                |                         |
| Real estate and personal property taxes.....  | \$ 398,216              | \$ -                           | \$ 398,216              |
| Tax liens.....                                | 625,865                 | -                              | 625,865                 |
| Motor vehicle and other excise taxes.....     | 121,819                 | -                              | 121,819                 |
| Intergovernmental - highway improvements..... | -                       | 556,200                        | 556,200                 |
| Intergovernmental - other.....                | -                       | 393,306                        | 393,306                 |
| Loans.....                                    | -                       | 361,582                        | 361,582                 |
| Tax foreclosures.....                         | 161,736                 | -                              | 161,736                 |
| <br>Total.....                                | <br>\$ <u>1,307,636</u> | <br>\$ <u>1,311,088</u>        | <br>\$ <u>2,618,724</u> |

**NOTE 4 – CAPITAL ASSETS**

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

|  | Beginning<br>Balance | Increases      | Decreases    | Ending<br>Balance |
|--|----------------------|----------------|--------------|-------------------|
| <b>Governmental Activities:</b>                        |                      |                |              |                   |
| <u>Capital assets not being depreciated:</u>           |                      |                |              |                   |
| Land.....  | \$ 20,488,811        | \$ -           | \$ -         | \$ 20,488,811     |
| <u>Capital assets being depreciated:</u>               |                      |                |              |                   |
| Buildings and improvements.....                        | 48,943,913           | 199,734        | -            | 49,143,647        |
| Machinery, equipment and vehicles.....                 | 15,873,142           | 1,072,768      | (46,244)     | 16,899,666        |
| Infrastructure.....                                    | 20,371,600           | 592,158        | -            | 20,963,758        |
| Total capital assets being depreciated.....            | 85,188,655           | 1,864,660      | (46,244)     | 87,007,071        |
| <u>Less accumulated depreciation for:</u>              |                      |                |              |                   |
| Buildings and improvements.....                        | (21,684,684)         | (1,251,355)    | -            | (22,936,039)      |
| Machinery, equipment and vehicles.....                 | (9,586,377)          | (1,289,628)    | 46,244       | (10,829,761)      |
| Infrastructure.....                                    | (5,220,976)          | (820,791)      | -            | (6,041,767)       |
| Total accumulated depreciation.....                    | (36,492,037)         | (3,361,774)    | 46,244       | (39,807,567)      |
| Total capital assets being depreciated, net.....       | 48,696,618           | (1,497,114)    | -            | 47,199,504        |
| Total governmental activities capital assets, net..... | \$ 69,185,429        | \$ (1,497,114) | \$ -         | \$ 67,688,315     |
| <br>   |                      |                |              |                   |
|  | Beginning<br>Balance | Increases      | Decreases    | Ending<br>Balance |
| <b>Water Enterprise Fund:</b>                          |                      |                |              |                   |
| <u>Capital assets not being depreciated:</u>           |                      |                |              |                   |
| Land.....  | \$ 1,484,129         | \$ -           | \$ -         | \$ 1,484,129      |
| Construction in progress.....                          | 281,373              | -              | (281,373)    | -                 |
| Total capital assets not being depreciated....         | 1,765,502            | -              | (281,373)    | 1,484,129         |
| <u>Capital assets being depreciated:</u>               |                      |                |              |                   |
| Buildings and improvements.....                        | 222,486              | -              | -            | 222,486           |
| Machinery, equipment and vehicles.....                 | 779,676              | 55,000         | -            | 834,676           |
| Infrastructure.....                                    | 27,702,708           | 3,199,023      | -            | 30,901,731        |
| Total capital assets being depreciated.....            | 28,704,870           | 3,254,023      | -            | 31,958,893        |
| <u>Less accumulated depreciation for:</u>              |                      |                |              |                   |
| Buildings and improvements.....                        | (191,340)            | (4,450)        | -            | (195,790)         |
| Machinery, equipment and vehicles.....                 | (499,952)            | (53,861)       | -            | (553,813)         |
| Infrastructure.....                                    | (12,652,541)         | (643,753)      | -            | (13,296,294)      |
| Total accumulated depreciation.....                    | (13,343,833)         | (702,064)      | -            | (14,045,897)      |
| Total capital assets being depreciated, net.....       | 15,361,037           | 2,551,959      | -            | 17,912,996        |
| Total water enterprise fund capital assets, net.....   | \$ 17,126,539        | \$ 2,551,959   | \$ (281,373) | \$ 19,397,125     |

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| <b>Wastewater Enterprise Fund:</b>                          |                              |                     |                  |                           |
| <u>Capital assets not being depreciated:</u>                |                              |                     |                  |                           |
| Land.....   | \$ 871,907                   | \$ -                | \$ -             | \$ 871,907                |
| <u>Capital assets being depreciated:</u>                    |                              |                     |                  |                           |
| Buildings and improvements.....                             | 145,894                      | 19,723              | -                | 165,617                   |
| Machinery, equipment and vehicles.....                      | 483,201                      | 35,821              | (29,932)         | 489,090                   |
| Infrastructure.....   | 20,244,208                   | 390,570             | -                | 20,634,778                |
| Total capital assets being depreciated.....                 | 20,873,303                   | 446,114             | (29,932)         | 21,289,485                |
| <u>Less accumulated depreciation for:</u>                   |                              |                     |                  |                           |
| Buildings and improvements.....                             | (52,081)                     | (5,462)             | -                | (57,543)                  |
| Machinery, equipment and vehicles.....                      | (270,077)                    | (28,372)            | 29,932           | (268,517)                 |
| Infrastructure.....   | (9,953,068)                  | (516,490)           | -                | (10,469,558)              |
| Total accumulated depreciation.....                         | (10,275,226)                 | (550,324)           | 29,932           | (10,795,618)              |
| Total capital assets being depreciated, net.....            | 10,598,077                   | (104,210)           | -                | 10,493,867                |
| Total wastewater enterprise fund capital assets, net \$     | <u>11,469,984</u>            | <u>\$ (104,210)</u> | <u>\$ -</u>      | <u>\$ 11,365,774</u>      |
| <br>  |                              |                     |                  |                           |
|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
| <b>Municipal Light:</b>                                     |                              |                     |                  |                           |
| <u>Capital assets not being depreciated:</u>                |                              |                     |                  |                           |
| Land.....   | \$ 22,976                    | \$ -                | \$ -             | \$ 22,976                 |
| <u>Capital assets being depreciated:</u>                    |                              |                     |                  |                           |
| Production plant.....                                       | 8,743,265                    | 190,790             | -                | 8,934,055                 |
| Transmission plant.....                                     | 1,946,489                    | -                   | -                | 1,946,489                 |
| Distribution plant.....                                     | 19,150,595                   | 1,188,393           | (330,668)        | 20,008,320                |
| General plant.....  | 2,922,115                    | 128,471             | -                | 3,050,586                 |
| Total capital assets being depreciated.....                 | 32,762,464                   | 1,507,654           | (330,668)        | 33,939,450                |
| <u>Less accumulated depreciation for:</u>                   |                              |                     |                  |                           |
| Production plant.....                                       | (6,169,705)                  | (276,850)           | -                | (6,446,555)               |
| Transmission plant.....                                     | (972,981)                    | (58,499)            | -                | (1,031,480)               |
| Distribution plant.....                                     | (9,566,040)                  | (573,349)           | 330,668          | (9,808,721)               |
| General plant.....  | (1,871,194)                  | (92,558)            | -                | (1,963,752)               |
| Total accumulated depreciation.....                         | (18,579,920)                 | (1,001,256)         | 330,668          | (19,250,508)              |
| Total capital assets being depreciated, net.....            | 14,182,544                   | 506,398             | -                | 14,688,942                |
| Total municipal light activities capital assets, net.... \$ | <u>14,205,520</u>            | <u>\$ 506,398</u>   | <u>\$ -</u>      | <u>\$ 14,711,918</u>      |

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

**Governmental Activities:**

|                                      |    |           |
|--------------------------------------|----|-----------|
| General government.....              | \$ | 149,550   |
| Finance.....                         |    | 10,972    |
| Public safety.....                   |    | 445,672   |
| Education.....                       |    | 1,617,553 |
| Public works.....                    |    | 1,010,209 |
| Planning and development.....        |    | 40,611    |
| Community and cultural services..... |    | 16,817    |
| Library.....                         |    | 70,390    |

Total depreciation expense - governmental activities..... \$ 3,361,774

**Business-Type Activities:**

|                      |    |           |
|----------------------|----|-----------|
| Water.....           | \$ | 702,064   |
| Wastewater.....      |    | 550,324   |
| Municipal Light..... |    | 1,001,256 |

Total depreciation expense - business-type activities..... \$ 2,253,644

**NOTE 5 – INTERFUND TRANSFERS**

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

| Transfers Out:                   | Transfers In:     |                             |                     |
|----------------------------------|-------------------|-----------------------------|---------------------|
|                                  | General fund      | Nonmajor governmental funds | Total               |
| General fund.....                | \$ -              | \$ 237,839                  | \$ 237,839 (1)      |
| Feoffee's Trust.....             | -                 | 826,054                     | 826,054 (2)         |
| Nonmajor governmental funds..... | 121,917           | 982,601                     | 1,104,518 (3)       |
| Total.....                       | \$ <u>121,917</u> | \$ <u>2,046,494</u>         | \$ <u>2,168,411</u> |

- (1) Represents budgeted transfers from the general fund to various nonmajor capital project and special revenue funds.
- (2) Represents a transfer from the Feoffee's Trust to the Town as a gift for educational purchases.
- (3) Represents budgeted transfers from various special revenue funds to the general fund as well as transfers between various nonmajor governmental funds.

**NOTE 6 – CAPITAL LEASES**

The Town has entered into lease agreements as lessee for financing the acquisition of several public works vehicles, 2 fire pumper trucks, and a wheelchair van. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

|                                   |                            |
|-----------------------------------|----------------------------|
|                                   | Governmental<br>Activities |
| Asset:                            |                            |
| Vehicles.....                     | \$ 1,923,888               |
| Less: accumulated depreciation... | (704,298)                  |
|                                   |                            |
| Total.....                        | \$ <u>1,219,590</u>        |

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

|   |                            |
|---|----------------------------|
| Years ending June 30:                         | Governmental<br>Activities |
| 2021.....                                     | \$ 298,358                 |
| 2022.....                                     | 256,891                    |
| 2023.....                                     | <u>21,410</u>              |
|   |                            |
| Total minimum lease payments.....             | 576,659                    |
| Less: amounts representing interest.....      | <u>(30,566)</u>            |
| Present value of minimum lease payments... \$ | <u>546,093</u>             |

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2020, are shown on as follows:

| Type                             | Purpose                 | Rate (%) | Due Date | Balance at June 30, 2019 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2020 |
|----------------------------------|-------------------------|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| <b>Governmental Funds:</b>       |                         |          |          |                          |                 |                   |                          |
| BAN                              | *MCWT Title V Loan..... | 0.00%    | 12/31/20 | \$ 642,710               | \$ -            | \$ (317,484)      | \$ 325,226               |
| BAN                              | Municipal Purpose.....  | 2.25%    | 06/05/20 | 597,757                  | -               | (597,757)         | -                        |
| BAN                              | Municipal Purpose.....  | 1.75%    | 05/21/21 | -                        | 426,838         | -                 | 426,838                  |
| Total Governmental Funds.....    |                         |          |          | \$ 1,240,467             | \$ 426,838      | \$ (915,241)      | \$ 752,064               |
| <b>Water Enterprise Fund:</b>    |                         |          |          |                          |                 |                   |                          |
| BAN                              | Municipal Purpose.....  | 2.25%    | 06/05/20 | \$ 1,500,000             | \$ -            | \$ (1,500,000)    | \$ -                     |
| BAN                              | Municipal Purpose.....  | 1.75%    | 05/21/21 | -                        | 4,487,460       | -                 | 4,487,460                |
| Total Water Enterprise Fund..... |                         |          |          | \$ 1,500,000             | \$ 4,487,460    | \$ (1,500,000)    | \$ 4,487,460             |

\*The Town entered into a short-term interest free loan agreement through the MCWT interim loan program which provides funding to allow projects to proceed during the time prior to permanent financing by the Trust.

**NOTE 8 – LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are shown as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

| Project   | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2020 |
|---|--------------------|----------------------|-------------------|------------------------------|
| <b>General Obligation Bonds Payable:</b>                    |                    |                      |                   |                              |
| Municipal Purpose Bonds of 2007.....                        | 2027               | \$ 1,615,000         | 4.00 - 5.00       | \$ 542,500                   |
| Municipal Purpose Bonds of 2010.....                        | 2025               | 1,253,000            | 2.00 - 5.00       | 200,000                      |
| Municipal Purpose Bonds of 2010.....                        | 2030               | 5,875,525            | 2.00 - 5.00       | 1,480,000                    |
| Municipal Purpose Bonds of 2011.....                        | 2030               | 1,600,000            | 2.00 - 3.25       | 835,000                      |
| Municipal Purpose Bonds of 2013.....                        | 2023               | 525,000              | 1.75 - 2.00       | 150,000                      |
| General Obligation Recreation Bonds of 2016.....            | 2031               | 1,000,000            | 2.00 - 3.25       | 720,000                      |
| Municipal Purpose Bonds of 2016.....                        | 2026               | 455,000              | 2.00 - 3.00       | 270,000                      |
| Municipal Purpose Bonds of 2018.....                        | 2038               | 4,414,400            | 3.00 - 5.00       | 3,860,000                    |
| Subtotal Governmental General Obligation Bonds Payable..... |                    |                      |                   | 8,057,500                    |
| <b>Direct Borrowings Payable:</b>                           |                    |                      |                   |                              |
| MCWT Community Septic Management Bonds....                  | 2040               | 674,774              | 0.00              | 585,452                      |
| Total Bonds Payable.....                                    |                    |                      |                   | \$ 8,642,952                 |

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

| Year       | General Obligation Bonds Payable |                     |                     |
|------------|----------------------------------|---------------------|---------------------|
|            | Principal                        | Interest            | Total               |
| 2021.....  | \$ 1,015,000                     | \$ 288,062          | \$ 1,303,062        |
| 2022.....  | 880,000                          | 253,327             | 1,133,327           |
| 2023.....  | 745,000                          | 224,181             | 969,181             |
| 2024.....  | 695,000                          | 196,239             | 891,239             |
| 2025.....  | 695,000                          | 169,331             | 864,331             |
| 2026.....  | 645,000                          | 142,012             | 787,012             |
| 2027.....  | 587,500                          | 116,666             | 704,166             |
| 2028.....  | 520,000                          | 91,820              | 611,820             |
| 2029.....  | 520,000                          | 69,725              | 589,725             |
| 2030.....  | 500,000                          | 52,851              | 552,851             |
| 2031.....  | 325,000                          | 38,430              | 363,430             |
| 2032.....  | 260,000                          | 29,576              | 289,576             |
| 2033.....  | 170,000                          | 21,774              | 191,774             |
| 2034.....  | 100,000                          | 16,250              | 116,250             |
| 2035.....  | 100,000                          | 13,000              | 113,000             |
| 2036.....  | 100,000                          | 9,750               | 109,750             |
| 2037.....  | 100,000                          | 6,500               | 106,500             |
| 2038.....  | 100,000                          | 3,250               | 103,250             |
| Total..... | \$ <u>8,057,500</u>              | \$ <u>1,742,744</u> | \$ <u>9,800,244</u> |

| Year       | Direct Borrowings Payable |             |                   |
|------------|---------------------------|-------------|-------------------|
|            | Principal                 | Interest    | Total             |
| 2021.....  | \$ 33,740                 | \$ -        | \$ 33,740         |
| 2022.....  | 33,740                    | -           | 33,740            |
| 2023.....  | 33,739                    | -           | 33,739            |
| 2024.....  | 33,740                    | -           | 33,740            |
| 2025.....  | 33,738                    | -           | 33,738            |
| 2026.....  | 33,739                    | -           | 33,739            |
| 2027.....  | 33,738                    | -           | 33,738            |
| 2028.....  | 33,739                    | -           | 33,739            |
| 2029.....  | 33,738                    | -           | 33,738            |
| 2030.....  | 33,739                    | -           | 33,739            |
| 2031.....  | 33,738                    | -           | 33,738            |
| 2032.....  | 33,739                    | -           | 33,739            |
| 2033.....  | 33,738                    | -           | 33,738            |
| 2034.....  | 33,739                    | -           | 33,739            |
| 2035.....  | 33,738                    | -           | 33,738            |
| 2036.....  | 15,874                    | -           | 15,874            |
| 2037.....  | 15,874                    | -           | 15,874            |
| 2038.....  | 15,874                    | -           | 15,874            |
| 2039.....  | 15,874                    | -           | 15,874            |
| 2040.....  | 15,874                    | -           | 15,874            |
| Total..... | \$ <u>585,452</u>         | \$ <u>-</u> | \$ <u>585,452</u> |

**Bonds and Notes Payable Schedule – Enterprise Funds**

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

| Project  | Maturities<br>Through | Original<br>Loan<br>Amount | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2020 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| <b>Water Projects</b>                                |                       |                            |                         |                                    |
| <b>General Obligation Bonds Payable:</b>             |                       |                            |                         |                                    |
| Water 2007.....                                      | 2028                  | \$ 721,000                 | 4.00 - 5.00             | \$ 315,000                         |
| Water 2008.....                                      | 2028                  | 550,000                    | 3.25 - 5.00             | 200,000                            |
| Water 2010.....                                      | 2025                  | 893,000                    | 2.00 - 5.01             | 100,000                            |
| Water 2011.....                                      | 2030                  | 400,000                    | 2.00 - 3.25             | 200,000                            |
| Water 2013.....                                      | 2028                  | 690,000                    | 1.75 - 2.00             | 350,000                            |
| Water 2016.....                                      | 2036                  | 1,405,000                  | 2.00 - 3.00             | 975,000                            |
| Water 2018.....                                      | 2038                  | 300,600                    | 3.00 - 5.00             | 270,000                            |
| Subtotal Water General Obligation Bonds Payable..... |                       |                            |                         | 2,410,000                          |
| <b>Direct Borrowings Payable:</b>                    |                       |                            |                         |                                    |
| Water (MCWT) 2013.....                               | 2033                  | 1,145,359                  | 2.00                    | 799,114                            |
| Water (MCWT) 2016.....                               | 2037                  | 1,495,054                  | 2.00                    | 1,245,147                          |
| Subtotal Water Direct Borrowings Payable.....        |                       |                            |                         | 2,044,261                          |
| Total Water Enterprise.....                          |                       |                            |                         | 4,454,261                          |
| <b>Wastewater Projects</b>                           |                       |                            |                         |                                    |
| <b>General Obligation Bonds Payable:</b>             |                       |                            |                         |                                    |
| Wastewater 2007.....                                 | 2027                  | \$ 977,000                 | 4.00 - 5.00             | \$ 332,500                         |
| Wastewater 2011.....                                 | 2022                  | 813,600                    | 2.00 - 3.25             | 150,000                            |
| Wastewater 2013.....                                 | 2028                  | 430,000                    | 1.75 - 2.40             | 220,000                            |
| Wastewater 2016.....                                 | 2036                  | 1,535,000                  | 2.00 - 3.00             | 1,195,000                          |
| Subtotal Sewer General Obligation Bonds Payable..... |                       |                            |                         | 1,897,500                          |
| <b>Direct Borrowings Payable:</b>                    |                       |                            |                         |                                    |
| Wastewater (MCWT) 2012.....                          | 2022                  | 1,952,534                  | 2.00                    | 1,362,279                          |
| Wastewater (MCWT) 2015.....                          | 2036                  | 2,246,791                  | 2.00                    | 1,772,180                          |
| Subtotal Sewer Direct Borrowings Payable.....        |                       |                            |                         | 3,134,459                          |
| Total Wastewater Enterprise.....                     |                       |                            |                         | 5,031,959                          |
| <b>Municipal Light Projects</b>                      |                       |                            |                         |                                    |
| <b>General Obligation Bonds Payable:</b>             |                       |                            |                         |                                    |
| Electric Substation and System Improvements 2008.... | 2028                  | \$ 6,000,000               | 2.00 - 3.00             | \$ 2,400,000                       |
| Electric Substation and System Improvements 2010.... | 2025                  | 600,000                    | 2.00 - 3.00             | 200,000                            |
| Wind Turbine.....                                    | 2030                  | 2,642,000                  | 2.00 - 3.00             | 1,370,000                          |
| Total Municipal Light Enterprise.....                |                       |                            |                         | 3,970,000                          |
| Total Bonds Payable, net.....                        |                       |                            |                         | \$ 13,456,220                      |

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

| Year       | General Obligation Bonds Payable |                   |                     |
|------------|----------------------------------|-------------------|---------------------|
|            | Principal                        | Interest          | Total               |
| 2021.....  | \$ 990,000                       | \$ 117,808        | \$ 1,107,808        |
| 2022.....  | 975,000                          | 102,453           | 1,077,453           |
| 2023.....  | 895,000                          | 88,695            | 983,695             |
| 2024.....  | 885,000                          | 75,929            | 960,929             |
| 2025.....  | 860,000                          | 64,295            | 924,295             |
| 2026.....  | 795,000                          | 53,607            | 848,607             |
| 2027.....  | 762,500                          | 43,214            | 805,714             |
| 2028.....  | 685,000                          | 33,848            | 718,848             |
| 2029.....  | 300,000                          | 27,644            | 327,644             |
| 2030.....  | 270,000                          | 24,209            | 294,209             |
| 2031.....  | 140,000                          | 20,769            | 160,769             |
| 2032.....  | 140,000                          | 17,471            | 157,471             |
| 2033.....  | 140,000                          | 13,857            | 153,857             |
| 2034.....  | 140,000                          | 10,208            | 150,208             |
| 2035.....  | 135,000                          | 6,626             | 141,626             |
| 2036.....  | 135,000                          | 5,113             | 140,113             |
| 2037.....  | 15,000                           | 976               | 15,976              |
| 2038.....  | 15,000                           | 486               | 15,486              |
| Total..... | \$ <u>8,277,500</u>              | \$ <u>707,208</u> | \$ <u>8,984,708</u> |

| Year       | Direct Borrowings Payable |                   |                     |
|------------|---------------------------|-------------------|---------------------|
|            | Principal                 | Interest          | Total               |
| 2021.....  | \$ 312,774                | \$ 102,656        | \$ 415,430          |
| 2022.....  | 319,572                   | 96,382            | 415,954             |
| 2023.....  | 326,518                   | 89,967            | 416,485             |
| 2024.....  | 333,614                   | 83,417            | 417,031             |
| 2025.....  | 340,865                   | 76,723            | 417,588             |
| 2026.....  | 348,274                   | 69,886            | 418,160             |
| 2027.....  | 355,842                   | 62,898            | 418,740             |
| 2028.....  | 363,575                   | 55,758            | 419,333             |
| 2029.....  | 371,478                   | 48,460            | 419,938             |
| 2030.....  | 379,551                   | 41,012            | 420,563             |
| 2031.....  | 387,800                   | 33,393            | 421,193             |
| 2032.....  | 396,228                   | 25,613            | 421,841             |
| 2033.....  | 404,840                   | 17,664            | 422,504             |
| 2034.....  | 220,997                   | 10,756            | 231,753             |
| 2035.....  | 225,800                   | 6,334             | 232,134             |
| 2036.....  | 90,992                    | 1,820             | 92,812              |
| Total..... | \$ <u>5,178,720</u>       | \$ <u>822,739</u> | \$ <u>6,001,459</u> |

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During 2020, the Town received the final construction assistance payment totaling \$1,389,800.

The Commonwealth has modified the method for funding new projects in the school building assistance program. Under the program, the assistance is paid to support the State’s share of construction costs as they are incurred, therefore eliminating the need for the Town to fund the State’s share through long-term debt. The Winthrop School Feasibility project was being funded by this program. In 2020, the Town received its final MSBA payment. Total MSBA payments received by the Town were \$566,000, which totaled 45.74% of approved construction costs incurred.

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

| Purpose  | Amount               |
|--|----------------------|
| Bridges.....   | \$ 110,000           |
| Land acquisition (open space).....                           | 3,994,546            |
| Riverwalk.....   | 75,000               |
| Wastewater treatment plant.....                              | 235,675              |
| Water-Washington Street water main.....                      | 154,587              |
| Street reconstruction.....                                   | 2,000,000            |
| Water plant and system upgrades.....                         | 1,155,255            |
| Water distribution system improvement and construction ..... | 1,500,000            |
| Water main replacement.....                                  | 4,487,460            |
| Winthrop school feasibility study.....                       | 670,501              |
| Wastewater system improvement.....                           | 2,000,000            |
| <b>Total.....</b>  | <b>\$ 16,383,024</b> |

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

|  | Beginning<br>Balance | Bonds and<br>Notes<br>Issued | Bonds and<br>Notes<br>Redeemed | Other<br>Increases | Other<br>Decreases | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|------------------------------|--------------------------------|--------------------|--------------------|-------------------|------------------------|
| <b>Governmental Activities:</b>                            |                      |                              |                                |                    |                    |                   |                        |
| Long-term general obligation bonds payable...              | \$ 11,757,500        | \$ -                         | \$ (3,700,000)                 | \$ -               | \$ -               | \$ 8,057,500      | \$ 1,015,000           |
| Long-term direct borrowings payable.....                   | 285,830              | 317,484                      | (17,862)                       | -                  | -                  | 585,452           | 33,740                 |
| Total bonds payable.....                                   | 12,043,330           | 317,484                      | (3,717,862)                    | -                  | -                  | 8,642,952         | 1,048,740              |
| Capital lease obligations.....                             | 921,810              | -                            | -                              | -                  | (375,717)          | 546,093           | 280,201                |
| Compensated absences.....                                  | 1,187,559            | -                            | -                              | 1,213,730          | (1,029,235)        | 1,372,054         | 1,217,357              |
| Net pension liability.....                                 | 35,846,605           | -                            | -                              | 2,589,885          | (3,019,185)        | 35,417,305        | -                      |
| Net other postemployment benefits.....                     | 23,339,211           | -                            | -                              | 3,741,979          | (2,619,049)        | 24,462,141        | -                      |
| Total governmental activity<br>long-term liabilities.....  | \$ 73,338,515        | \$ 317,484                   | \$ (3,717,862)                 | \$ 7,545,594       | \$ (7,043,186)     | \$ 70,440,545     | \$ 2,546,298           |
| <b>Business-Type Activities:</b>                           |                      |                              |                                |                    |                    |                   |                        |
| Long-term general obligation bonds payable...              | \$ 9,332,500         | \$ -                         | \$ (1,055,000)                 | \$ -               | \$ -               | \$ 8,277,500      | \$ 990,000             |
| Long-term direct borrowings payable.....                   | 5,484,840            | -                            | (306,120)                      | -                  | -                  | 5,178,720         | 312,774                |
| Total bonds payable.....                                   | 14,817,340           | -                            | (1,361,120)                    | -                  | -                  | 13,456,220        | 1,302,774              |
| Compensated absences.....                                  | 388,967              | -                            | -                              | 188,553            | (154,165)          | 423,355           | 182,470                |
| Net pension liability.....                                 | 7,423,683            | -                            | -                              | 2,042,814          | (743,593)          | 8,722,904         | -                      |
| Net other postemployment benefits.....                     | 373,063              | -                            | -                              | (105,015)          | (84,906)           | 183,142           | -                      |
| Total business-type activity<br>long-term liabilities..... | \$ 23,003,053        | \$ -                         | \$ (1,361,120)                 | \$ 2,126,352       | \$ (982,664)       | \$ 22,785,621     | \$ 1,485,244           |

Long-term liabilities related to both governmental and business-type activities are normally paid from the General Fund and the Enterprise Funds, respectively.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balances according to the constraints imposed on the use of the resources. There are two major types of fund balances, which are nonspendable and spendable.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable. In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

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

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a Stabilization fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any changes to the purpose of the fund, along with any additions to or appropriations from the fund, require a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. In accordance with the Massachusetts General Law, the Town has established a general, capital, school stabilization fund, and special education reserve. In accordance with GASB 54, the stabilization funds have been reported in the general fund as unassigned. The balances of the general, school stabilization fund, and special education reserve as of June 30, 2020, are \$1,948,784; \$4,071,145; and \$382,215 respectively. There was no balance in the capital stabilization fund as of June 30, 2020.

The Town has classified its governmental fund balances with the hierarchy as noted as follows:

|  | General       | Feoffee's<br>Trust | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------|--------------------|-----------------------------------|--------------------------------|
| Fund Balances:                                 |               |                    |                                   |                                |
| Nonspendable:                                  |               |                    |                                   |                                |
| Permanent fund principal.....                  | \$ -          | \$ 25,801,286      | \$ 851,037                        | \$ 26,652,323                  |
| Restricted for:                                |               |                    |                                   |                                |
| Feoffee's Trust.....                           | -             | 6,993,026          | -                                 | 6,993,026                      |
| Town revolving funds.....                      | -             | -                  | 382,655                           | 382,655                        |
| Town gift funds.....                           | -             | -                  | 351,923                           | 351,923                        |
| Town grant funds.....                          | -             | -                  | 683,890                           | 683,890                        |
| Town receipts reserved.....                    | -             | -                  | 299,138                           | 299,138                        |
| Other Town special revenue.....                | -             | -                  | 31,496                            | 31,496                         |
| School gift funds.....                         | -             | -                  | 1,531,988                         | 1,531,988                      |
| School state grant funds.....                  | -             | -                  | 10,870                            | 10,870                         |
| School federal grant funds.....                | -             | -                  | 14,841                            | 14,841                         |
| School revolving funds.....                    | -             | -                  | 3,159,344                         | 3,159,344                      |
| Affordable housing.....                        | -             | -                  | 363,076                           | 363,076                        |
| Town capital projects.....                     | -             | -                  | 845,071                           | 845,071                        |
| Land acquisition.....                          | -             | -                  | 47,942                            | 47,942                         |
| Expendable trust fund.....                     | -             | -                  | 1,213,286                         | 1,213,286                      |
| Assigned to:                                   |               |                    |                                   |                                |
| Encumbrances:                                  |               |                    |                                   |                                |
| General government.....                        | 5,000         | -                  | -                                 | 5,000                          |
| Finance.....                                   | 2,662         | -                  | -                                 | 2,662                          |
| Public safety.....                             | 25,050        | -                  | -                                 | 25,050                         |
| Education.....                                 | 316,633       | -                  | -                                 | 316,633                        |
| Public works.....                              | 700,479       | -                  | -                                 | 700,479                        |
| Planning and development.....                  | 1,950         | -                  | -                                 | 1,950                          |
| Employee benefits.....                         | 45,183        | -                  | -                                 | 45,183                         |
| Debt service interest.....                     | 86,053        | -                  | -                                 | 86,053                         |
| Free cash used for subsequent year budget..... | 125,000       | -                  | -                                 | 125,000                        |
| Unassigned.....                                | 11,033,628    | -                  | (241,838)                         | 10,791,790                     |
| Total Fund Balances.....                       | \$ 12,341,638 | \$ 32,794,312      | \$ 9,544,719                      | \$ 54,680,669                  |

**NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to tort; theft of, damage to and the destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium-based health care and workers' compensation plans for its employees.

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

The Town is self-insured for compensation due to police officers and firefighters injured on duty. These activities are accounted for in the Town's general fund. Any liability for police officers and firefighters injured on duty as of June 30, 2020, is considered to be immaterial for the Town's financial statements.

## **NOTE 11 – PENSION PLAN**

### *Plan Descriptions*

The Town is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 46 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts, 01923 or by visiting [www.essexregional.com](http://www.essexregional.com) or [www.mass.gov/perac](http://www.mass.gov/perac).

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

### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense, contributed by the Commonwealth of \$6,422,036 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$52,957,661 as of the measurement date.

### *Benefits Provided*

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

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

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

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town’s proportionate share of the required contribution for the year ended December 31, 2019, was \$3,762,778. The actual contribution totaled \$3,771,581 and was 25.52% of covered payroll, the required contribution was actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The actual contribution included pension reimbursements from federal grants received by the Town.

*Pension Liabilities*

At June 30, 2020, the Town reported a liability of \$44,140,209 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town’s proportion was 10.477%, which increased from its 10.242% proportion measured at December 31, 2018.

*Pension Expense*

For the year ended June 30, 2020, the Town recognized a pension expense of \$5,064,803. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$5,134,169, and also deferred inflows of resources related to pensions of \$2,467,340. The balances of deferred outflows/ (inflows) of resources related to pension at June 30, 2020, consist of the following:

| Deferred Category   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total        |
|---|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience.....           | \$ 6,058                             | \$ (209,772)                        | \$ (203,714) |
| Difference between projected and actual earnings, net.....        | -                                    | (1,645,756)                         | (1,645,756)  |
| Changes in assumptions.....                                       | 4,411,703                            | -                                   | 4,411,703    |
| Changes in proportion and proportionate share of contributions... | 716,408                              | (611,812)                           | 104,596      |
| Total deferred outflows/(inflows) of resources.....               | \$ 5,134,169                         | \$ (2,467,340)                      | \$ 2,666,829 |

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

|                     |                     |
|---------------------|---------------------|
| Year ended June 30: |                     |
| <hr/>               |                     |
| 2021.....           | \$ 724,664          |
| 2022.....           | 748,084             |
| 2023.....           | 1,054,615           |
| 2024.....           | <u>139,466</u>      |
| Total.....          | \$ <u>2,666,829</u> |

*Actuarial Assumptions*

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to December 31, 2019.

|   |  |
|---|--|
| Valuation date.....                       | January 1, 2020  |
| Salary increases.....                     | Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years if service. |
| Net investment return/ Discount rate..... | 7.30% (previously 7.50%)   |
| Inflation rate.....                       | 2.75%  |
| Cost of living adjustments.....           | 2% of first \$14,000 for fiscal 2021 and 3% of first \$14,000 thereafter.  |
| Mortality rates:                          |  |
| Pre-retirement.....                       | RP-2014 Employee Mortality Table projected generationally with Scale MP-2019.                                    |
| Healthy retiree.....                      | RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2019.                           |
| Disabled retiree.....                     | RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP-2019.     |

*Investment Policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and risk margin.

The System's expected future real rate of return, after deducting inflation, but before investment expense, used in the derivation of the long-term investment rate of return assumption as of December 31, 2019, are summarized in the following table:

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

*Rate of Return*

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

*Discount Rate*

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

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

|  | 1% Decrease<br>(6.30%) | Current<br>Discount<br>(7.30%) | 1% Increase<br>(8.30%) |
|--|------------------------|--------------------------------|------------------------|
| The Town's proportionate share of the<br>net pension liability..... \$ | 55,509,026             | \$ 44,140,209                  | \$ 34,584,008          |
| ERRS total net pension liability..... \$                               | 529,830,679            | \$ 421,315,930                 | \$ 330,102,507         |

*Changes in Assumptions:*

The following are the changes in actuarial assumptions effective in the January 1, 2020, valuation:

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

*Changes in Plan Provisions:*

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

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Ipswich administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

*Funding Policy* – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for health and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs for health and life insurance and all of the premiums related to dental insurance. For 2020, the Town’s age-adjusted contribution to the plan totaled \$1,721,955. For the year ended June 30, 2020, the Town’s average contribution rate was 5.92% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HCSBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their

duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management Board (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During 2020, the Town pre-funded future OPEB liabilities totaling approximately \$439,058 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$5,616,507. The Town has adopted a policy of pre-funding future OPEB liabilities which includes 3 tiers of funding; (1) The Town contributes 0.25% of the total annual salaries of the prior fiscal year to the OPEB Fund through the annual operating budget; (2) The Town will appropriate 25% of the certified free cash of any fiscal year in excess of \$1 million to the OPEB Fund; and (3) once the Town’s pension liability is fully funded, which is currently estimated to be between 2035 and 2040, the funds previously appropriated to the Essex Regional Retirement System to fund the unfunded pension liability would be directed to the OPEB Trust Fund. This policy is adopted by and may be amended at any time by the Town’s Select Board.

*Plan Membership* – The following table represents the Plan’s membership at June 30, 2020:

|                                       |                       |
|---------------------------------------|-----------------------|
| Active members.....                   | 452                   |
| Retirees/Disabled and Dependents..... | <u>279</u>            |
| <br>Total.....                        | <br><u><u>731</u></u> |

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

|  |                                 |
|--|---------------------------------|
| Total OPEB liability.....  | \$ 30,261,790                   |
| Less: OPEB plan’s fiduciary net position.....  | <u>(5,616,507)</u>              |
| <br>Net OPEB liability.....  | <br><u><u>\$ 24,645,283</u></u> |
| <br>The OPEB plan’s fiduciary net position<br>as a percentage of the total OPEB liability..... | <br><br>18.56%                  |

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2020, to be in accordance with GASB Statement #74 and GASB Statement #75:

|                             |  |
|-----------------------------|--|
| Valuation date.....         | Actuarially determined contribution was calculated as of July 1, 2019. |
| Actuarial cost method.....  | Individual entry age normal.   |
| Asset valuation method..... | Market value of assets as of the measurement date, June 30, 2020.      |

|                                      |  |
|--------------------------------------|--|
| Investment rate of return.....       | 7.01%, net of OPEB plan investment expense, including inflation.   |
| Municipal bond rate.....             | 2.66% as of June 30, 2020 (Source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)   |
| Single equivalent discount rate..... | 7.00%, net of OPEB plan investment expense, including inflation.   |
| Medical inflation rate.....          | 4.50%  |
| Inflation.....                       | 2.50% as of June 30, 2020, and for future periods.   |
| Salary increases.....                | 3.00% annually as of June 30, 2020, and for future periods.  |
| Cost of living adjustments.....      | Not applicable.  |
| Pre-retirement mortality.....        | General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females.<br>Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.                                       |
| Post-retirement mortality.....       | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.<br>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.                     |
| Disabled mortality.....              | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.<br>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. |

*Rate of Return* – For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments was 1.96%. The money-weighted rate of return expresses investment performance, net of OPEB plan investments expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future 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 of by weighting the expected future real rates of return by the target

asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return of 5.01% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 7.51%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020, are summarized in the following table:

| Asset Class                                  | Long-Term Expected<br>Asset Allocation | Long-Term Expected<br>Real Rate of Return |
|--|--|---|
| Domestic equity - Large cap.....             | 14.50%                                 | 4.80%                                     |
| Domestic equity - Small/Mid cap.....         | 3.50%                                  | 5.29%                                     |
| International equity - Developed market..... | 16.00%                                 | 5.45%                                     |
| International equity - Emerging market.....  | 6.00%                                  | 6.42%                                     |
| Domestic fixed income.....                   | 20.00%                                 | 2.05%                                     |
| International fixed income.....              | 3.00%                                  | 3.00%                                     |
| Alternatives.....                            | 23.00%                                 | 6.50%                                     |
| Real estate.....                             | 14.00%                                 | 6.25%                                     |
| <br>   |  |   |
| Total.....                                   | 100.00%                                |   |

*Discount rate* – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020, measurement date. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy.

*Changes in the Net OPEB Liability*

|   | Increase (Decrease)            |  |                                    |
|---|--------------------------------|--|------------------------------------|
|   | Total OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balances at June 30, 2019.....                          | \$ 28,789,306                  | \$ 5,077,032                             | \$ 23,712,274                      |
| Changes for the year:                                   |                                |  |                                    |
| Service cost.....                                       | 744,048                        | -  | 744,048                            |
| Interest.....   | 2,023,193                      | -  | 2,023,193                          |
| Change in assumptions.....                              | 330,267                        | -  | 330,267                            |
| Differences between expected and actual experience..... | (342,127)                      | -  | (342,127)                          |
| Net investment income.....                              | -                              | 100,417                                  | (100,417)                          |
| Employer contributions to Trust.....                    | -                              | 1,721,955                                | (1,721,955)                        |
| Benefit payments.....                                   | (1,282,897)                    | (1,282,897)                              | -                                  |
| <br>  |                                |  |                                    |
| Net change.....   | 1,472,484                      | 539,475                                  | 933,009                            |
| <br>  |                                |  |                                    |
| Balances at June 30, 2020.....                          | \$ 30,261,790                  | \$ 5,616,507                             | \$ 24,645,283                      |

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The table on the following page presents the net other postemployment benefit liability, calculated using the discount rate of 7.00%, as well as what the net

other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate.

|                         | 1% Decrease<br>(6.00%) | Current<br>Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 28,521,127          | \$ 24,645,283                       | \$ 20,769,439          |

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 4.50%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

|                         | 1% Decrease   | Current Trend | 1% Increase   |
|-------------------------|---------------|---------------|---------------|
| Net OPEB liability..... | \$ 21,003,785 | \$ 24,645,283 | \$ 29,096,754 |

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the financial reporting year ended June 30, 2020, the Town recognized OPEB expense of \$2,703,955 and the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total        |
|--|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience.....    | \$ 853,954                           | \$ (291,291)                        | \$ 562,663   |
| Difference between projected and actual earnings, net..... | 191,938                              | -                                   | 191,938      |
| Changes in assumptions.....                                | 281,194                              | -                                   | 281,194      |
| Total deferred outflows/(inflows) of resources.....        | \$ 1,327,086                         | \$ (291,291)                        | \$ 1,035,795 |

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

| Year ended June 30: |              |
|---------------------|--------------|
| 2021.....           | \$ 307,742   |
| 2022.....           | 307,741      |
| 2023.....           | 340,792      |
| 2024.....           | 82,563       |
| 2025.....           | (1,761)      |
| Thereafter.....     | (1,282)      |
| Total.....          | \$ 1,035,795 |

*Changes in Assumptions:*

The following are the changes in actuarial assumptions effective in the July 1, 2019, valuation:

- The expected long-term medical trend has been updated to 4.50%.
- The mortality table has been updated from RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.

*Changes in Plan Provisions:*

None

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2020, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

**NOTE 14 – FEOFFEE'S TRUST**

The bequest of a land area known as "Little Neck" in Ipswich in 1660 by William Paine established a Trust with the purpose of supporting the Ipswich Public Schools by making distributions to the Ipswich Public Schools for educational uses. Revisions to the governance structure and administrative requirements applicable to the Trust were approved by the courts in December 2011 allowing for the sale of the property and creating a new Trust with the proceeds of the sale, which would become effective upon the filing of a master deed.

In August 2012, the sales of the land parcels on Little Neck were completed. The closings included land sales, conversion of cottages and land to condominium units, filing of the master deed and the reconstruction of the Trust to which William Paine donated the land in 1660. As a result, a new trustee governing board (known as the New Feoffees) is now in place. Two community members were appointed each of the School Committee, Finance Committee and the Select Board, and a seventh was appointed by the old Feoffees.

In accordance with the new trust agreement, the first payment plus accrued interest was received by the schools in 2013. The new trust agreement also stipulates that the Town will receive annual payments, as determined by the Trust, thereafter. These payments plus interest have been recorded in the nonmajor governmental funds where the Town has established a fund to be used by the School Department in accordance with the Trust agreement.

In accordance with the new trust, the "Feoffees of the Grammar School in the Town of Ipswich Trust", is a public body and an agency of the Town of the Town of Ipswich, Massachusetts. Accordingly, the Town has reported the

new Feoffee trust as a major governmental fund in the fund based financial statements. As of June 30, 2020, the new trust reported a balance of \$32.8 million which is held in investments and mortgages and loans on the properties.

#### **NOTE 15 – COVID-19**

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

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

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

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

#### **NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 16, 2020, which is the date the financial statements were available to be issued.

#### **NOTE 17 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

During 2020, the following GASB pronouncement was implemented:

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

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

***Notes to Basic Financial Statements –  
Ipswich Municipal Light Department***

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****1. Reporting Entity**

The Ipswich Municipal Light Department (the “Department”) is a department of the Town of Ipswich, Massachusetts (the “Town”) and is reported as an enterprise (proprietary) fund in the Town’s basic financial statements. The Department is governed by the Ipswich Municipal Light Commissioners (the “Commissioners”) who appoint a manager of municipal lighting who shall, under the direction of the Commissioners, have full charge of the operation and management of the Department.

**2. Regulation, Rates, and Basis of Accounting**

The Department is under the charge and control of the Commissioners in accordance with Chapter 164, Section 55 of the Massachusetts General Laws (MGL). Electric rates may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU), formerly known as the Department of Telecommunications and Energy. While the DPU exercises general supervisory authority over the Department, rates are not subject to DPU approval. Pursuant to Chapter 164, Section 58 of the MGL, rates must be set such that annual net earnings from operations do not exceed 8% of the cost of the utility plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation. Excess revenues are required to be refunded to the customers.

The Department uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**3. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Utility Plant**

The statutory provision for depreciation of the utility plant is computed on the straight-line method at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of plant additions. MGL stipulates that the Department may change from the statutory depreciation rate up to 5% only with the approval of the DPU. The Department has been granted the approval to increase the depreciation rate but has used the statutory rate of 3%. Overall, these rates of depreciation approximate US GAAP.

Pursuant to MGL, cash is transferred to the Depreciation Fund in an amount equal to the annual provision for depreciation. The Depreciation Fund may only be used for replacements, additions to the utility plant in service and related debt service.

Costs related to issuance of bonds to finance utility plant have been capitalized and are being amortized over the life of the bonds.

### 5. Cash and Cash Equivalents

For purpose of the statement of cash flows, the Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### 6. Revenues

Revenues from the sale of electricity are recorded on the basis of bills rendered from monthly meter readings. The revenues are based on rates established by the Department, which are applied to customers' consumption of electricity.

### 7. Inventory

Materials, supplies and fuel oil inventory are carried at the lower of cost or market, determined by the first-in, first-out method.

### 8. Provision for Payment to the Town of Ipswich in Lieu of Taxes

The Department contributed \$316,460 to the Town of Ipswich in lieu of taxes. All contributions to the Town are voted by the Commissioners.

### 9. Purchased Power Working Capital and Prepayments

Purchased power working capital is a deposit held by the Department's power supplier, Massachusetts Municipal Wholesale Electric Company (MMWEC). A fixed amount of working capital based on the Department's annual power purchases is required to be held on deposit with MMWEC for the purpose of paying the Department's power obligations as they become due. Working capital on deposit with MMWEC is replenished monthly. A credit for interest earned on deposits is applied to monthly billings and is recorded as revenue. Working capital on deposit with MMWEC at June 30, 2020, totaled \$1,458,699.

In addition to the working capital deposit, the Department also has made other power supply related prepayments totaling approximately \$175,000.

### 10. Deferred Charges

The Department has a fuel cost adjustment clause pursuant to which increased fuel costs (fuel costs in excess of amounts recovered through base rates) are billable to customers. The Department records estimated unbilled fuel adjustment charge revenue at the end of accounting periods. There were no unbilled fuel costs at June 30, 2020.

## **NOTE B – DEPOSITS**

The Department's operating cash is deposited with the Town's Treasurer who commingles it with other Town funds. The Town Treasurer maintains separate bank accounts for the Department's Depreciation Fund, Rate Stabilization Fund, Customer Deposits payable, and the Conservation Fund.

The municipal finance laws of the commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits may not be recovered. The Town does have a policy for custodial credit risk that all deposits be held in the name of the Town or in the Town’s federal tax identification number. As of June 30, 2020, the Department’s bank balance was covered by Federal Depository Insurance and by the Depositors Insurance Fund.

**NOTE C – CAPITAL ASSETS**

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

|  | Beginning<br>Balance | Increases          | Decreases        | Ending<br>Balance    |
|--|----------------------|--------------------|------------------|----------------------|
| <b>Municipal Light:</b>                                  |                      |                    |                  |                      |
| <u>Capital assets not being depreciated:</u>             |                      |                    |                  |                      |
| Land.....  | \$ 22,976            | \$ -               | \$ -             | \$ 22,976            |
| <u>Capital assets being depreciated:</u>                 |                      |                    |                  |                      |
| Production plant.....                                    | 8,743,265            | 190,790            | -                | 8,934,055            |
| Transmission plant.....                                  | 1,946,489            | -                  | -                | 1,946,489            |
| Distribution plant.....                                  | 19,150,595           | 1,188,393          | (330,668)        | 20,008,320           |
| General plant.....                                       | 2,922,115            | 128,471            | -                | 3,050,586            |
| Total capital assets being depreciated.....              | <u>32,762,464</u>    | <u>1,507,654</u>   | <u>(330,668)</u> | <u>33,939,450</u>    |
| <u>Less accumulated depreciation for:</u>                |                      |                    |                  |                      |
| Production plant.....                                    | (6,169,705)          | (276,850)          | -                | (6,446,555)          |
| Transmission plant.....                                  | (972,981)            | (58,499)           | -                | (1,031,480)          |
| Distribution plant.....                                  | (9,566,040)          | (573,349)          | 330,668          | (9,808,721)          |
| General plant.....                                       | (1,871,194)          | (92,558)           | -                | (1,963,752)          |
| Total accumulated depreciation.....                      | <u>(18,579,920)</u>  | <u>(1,001,256)</u> | <u>330,668</u>   | <u>(19,250,508)</u>  |
| Total capital assets being depreciated, net.....         | <u>14,182,544</u>    | <u>506,398</u>     | <u>-</u>         | <u>14,688,942</u>    |
| Total municipal light activities capital assets, net.... | <u>\$ 14,205,520</u> | <u>\$ 506,398</u>  | <u>\$ -</u>      | <u>\$ 14,711,918</u> |

**NOTE D – DEPRECIATION FUND**

Pursuant to the provisions of the MGL, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the Commissioners determine are above market value.

**NOTE E – RATE STABILIZATION FUND**

The Department has established a stabilization fund for the purpose of minimizing exposure to rate fluctuations. Additionally, the fund may be used to help the Department maintain a competitive position in the marketplace or for other unexpected costs. The balance of the fund at June 30, 2020, was \$1,495,322 and is reported as restricted net position in the Statement of Net Position.

**NOTE F – PENSION PLAN**

Employees of the Department participate in the Essex Regional Retirement System (the System) through the Town. The Town allocates a portion of its obligation to the Department based on the relative number of participants and the amount of payroll. Total contributions by the department to the system totaled \$384,158 for the year ended June 30, 2020, which represents approximately 10.21% of the System’s assessment to the Town.

At June 30, 2020, the Department reported a liability of \$4,506,462 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Department’s proportion of the net pension liability was based on a projection of the Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Department’s proportion was 10.21% of the Town’s 10.477% overall percentage. The Town’s proportion increased from 10.242% at December 31, 2018, to 10.477% at December 31, 2019.

For the year ended June 30, 2020, the Department recognized a pension expense of \$517,088. At June 30, 2020, the Department reported deferred outflows of resources related to pensions of \$524,169 and deferred inflows of resources related to pensions of \$251,901.

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

The following schedule represents the components of the Department’s net other postemployment benefits (OPEB) liability as of June 30, 2020.

|   |    |                       |
|---|----|-----------------------|
| Total OPEB liability.....                     | \$ | 1,660,433             |
| Less: OPEB plan's fiduciary net position..... |    | <u>(1,331,454)</u>    |
| Net OPEB liability.....                       | \$ | <u><u>328,979</u></u> |

Please refer back to Note 12 for the Town-wide disclosures relating to OPEB.

**NOTE H – LONG TERM DEBT**

Details relating to the Department’s outstanding indebtedness at June 30, 2020, are as follows:

| Project  | Maturities<br>Through | Original<br>Loan<br>Amount | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2020 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| <b>Municipal Light Projects</b>                      |                       |                            |                         |                                    |
| <b>General Obligation Bonds Payable:</b>             |                       |                            |                         |                                    |
| Electric Substation and System Improvements 2008.... | 2028                  | \$ 6,000,000               | 2.00 - 3.00             | \$ 2,400,000                       |
| Electric Substation and System Improvements 2010.... | 2025                  | 600,000                    | 2.00 - 3.00             | 200,000                            |
| Wind Turbine.....                                    | 2030                  | 2,642,000                  | 2.00 - 3.00             | <u>1,370,000</u>                   |
| Total Municipal Light Enterprise.....                |                       |                            |                         | <u><u>\$ 3,970,000</u></u>         |

Debt service requirements for principal and interest for the Department’s bonds payable in future years are as follows:

| Year       | Principal           | Interest          | Total               |
|------------|---------------------|-------------------|---------------------|
| 2021.....  | \$ 480,000          | \$ 154,976        | \$ 634,976          |
| 2022.....  | 480,000             | 134,676           | 614,676             |
| 2023.....  | 480,000             | 117,126           | 597,126             |
| 2024.....  | 480,000             | 99,526            | 579,526             |
| 2025.....  | 480,000             | 81,750            | 561,750             |
| 2026.....  | 440,000             | 63,350            | 503,350             |
| 2027.....  | 440,000             | 45,800            | 485,800             |
| 2028.....  | 440,000             | 27,900            | 467,900             |
| 2029.....  | 140,000             | 10,000            | 150,000             |
| 2030.....  | 110,000             | 4,400             | 114,400             |
| Total..... | \$ <u>3,970,000</u> | \$ <u>739,504</u> | \$ <u>4,709,504</u> |

**NOTE I – RELATED PARTY TRANSACTIONS**

The Department pays the Town annually an in-lieu of tax payment at a rate of \$.002953 per kilowatt sold annually. In addition to the in-lieu of tax payment the Department subsidizes the cost of street lighting to the Town. Additionally, the Town allocates expenses to the Department for various services during the year and the Department provides services and materials to the Town without reimbursement. Amounts included in expenses for the year ended June 30, 2020, under these arrangements are as follows:

|   |                   |
|---|-------------------|
| Payment in lieu of taxes.....                                   | \$ 316,460        |
| Subsidized street lighting maintenance.....                     | 23,485            |
| Town salaries paid by the Department.....                       | 81,238            |
| Non-reimbursed services and materials provided to the Town..... | <u>24,355</u>     |
| Total.....  | \$ <u>445,538</u> |

The Department bills Town departments for electric light usage. The amount included in revenue under this arrangement was \$772,496 for the year ended June 30, 2020, and all amounts were paid prior to year-end. The Ipswich Water Department (the Water Department) shares office space in the Department’s building. Costs are not billed to the Water Department. Management has determined that the associated expenses are not significant and, therefore, has not assessed the Water Department fees for occupancy related costs.

**NOTE J – MMWEC PARTICIPATION**

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light

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

#### **NOTE K – BERKSHIRE WIND COOPERATIVE CORPORATION**

The Ipswich Municipal Light Department (Department) is a Member of the Berkshire Wind Cooperative Corporation (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, which costs include debt service on the bonds issued by the Cooperative to finance 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 Department’s pro rata share of the Phases in which it participates for the years ended June 30, 2020 and 2019, respectively are listed in the table below.

| Phase                  | Percentage Share | Total Capital Expenditures 2020 | Debt Service Billed 2020 | Debt Service Billed 2019 | Operations & Maintenance Billed 2020 | Operations & Maintenance Billed 2019 |
|------------------------|------------------|---------------------------------|--------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Berkshire Phase 1..... | 6.4160%          | \$ 3,519,240                    | \$ 306,027               | \$ 326,362               | \$ 101,407                           | \$ 127,786                           |
| Berkshire Phase 2..... | 19.1410%         | 3,117,596                       | 211,388                  | 112,996                  | 121,086                              | -                                    |
| Total.....             |                  | \$ 6,636,836                    | \$ 517,415               | \$ 439,358               | \$ 222,493                           | \$ 127,786                           |

In addition, the estimated aggregate amount of the required payments for future years for the Plant’s pro rata share of the Phases in which it participates is shown in the table below.

| Years Ended    | Phase 1 Debt Service | Phase 2 Debt Service | Total Berkshire Debt Service |
|----------------|----------------------|----------------------|------------------------------|
| 2020.....      | \$ 310,556           | \$ 196,784           | \$ 507,340                   |
| 2021.....      | 310,470              | 196,784              | 507,254                      |
| 2022.....      | 310,566              | 196,784              | 507,350                      |
| 2023.....      | 310,502              | 196,784              | 507,286                      |
| 2024.....      | 310,903              | 196,784              | 507,687                      |
| 2025-2029..... | 1,552,913            | 983,919              | 2,536,832                    |
| 2030-2033..... | 310,566              | 1,671,892            | 1,982,458                    |
| Total.....     | \$ 3,416,476         | \$ 3,639,731         | \$ 7,056,207                 |

**NOTE L – COMMITMENTS AND CONTINGENCIES**

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise 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 the Millstone Unit 3 nuclear unit extends to November 25, 2045.

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

Pursuant to the PSAs, the MMWEC Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Millstone and Seabrook Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act

has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Ipswich Municipal Electric Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues.

As of July 1, 2019, MMWEC has no debt service obligations outstanding related to the Projects. MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses) associated with the Plant's Project Capability of the Projects in which it participates for the years ended June 30, 2020 and 2019, respectively, are list in the following table:

| Projects                              | Percentage Share | Total Capital Expenditures 2020 | Capacity, Fuel and Transmission Billed 2020 | Capacity, Fuel and Transmission Billed 2019 |
|---------------------------------------|------------------|---------------------------------|---|---|
| Stony Brook Intermediate Project .... | 3.2330%          | \$ 582,513                      | \$ 43,287                                   | \$ 41,664                                   |
| Nuclear Mix No. 1-Seabrook.....       | 2.0179%          | 208,416                         | 10,170                                      | 10,505                                      |
| Nuclear Mix No. 1-Millstone.....      | 2.0179%          | 1,226,968                       | 124,558                                     | 121,893                                     |
| Nuclear Project No. 3-Millstone.....  | 0.8897%          | 1,324,204                       | 110,034                                     | 108,413                                     |
| Nuclear Project No. 4-Seabrook.....   | 2.1220%          | 6,399,523                       | 285,530                                     | 300,162                                     |
| Nuclear Project No. 5-Seabrook.....   | 1.0335%          | 843,917                         | 35,621                                      | 37,556                                      |
| Total.....                            |                  | \$ 10,585,541                   | \$ 609,200                                  | \$ 620,193                                  |

***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

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

YEAR ENDED JUNE 30, 2020

|   | Budgeted Amounts                              |                                   |                     |                     | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|---|---|-----------------------------------|---------------------|---------------------|--------------------------------|--|--------------------------------|
|   | Amounts<br>Carried Forward<br>From Prior Year | Current Year<br>Initial<br>Budget | Original<br>Budget  | Final<br>Budget     |                                |  |                                |
| <b>REVENUES:</b>  |   |                                   |                     |                     |                                |  |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ -  | \$ 42,432,048                     | \$ 42,432,048       | \$ 42,546,303       | \$ 42,551,001                  | \$ -                                       | \$ 4,698                       |
| Tax liens.....  | -   | -                                 | -                   | -                   | 127,792                        | -  | 127,792                        |
| Motor vehicle and other excise taxes.....                                 | -   | 2,014,000                         | 2,014,000           | 2,014,000           | 2,192,990                      | -  | 178,990                        |
| Meals tax.....  | -   | 228,000                           | 228,000             | 228,000             | 255,033                        | -  | 27,033                         |
| Charges for services.....   | -   | 25,000                            | 25,000              | 25,000              | 31,388                         | -  | 6,388                          |
| Penalties and interest on taxes.....                                      | -   | 152,000                           | 152,000             | 152,000             | 173,975                        | -  | 21,975                         |
| Payments in lieu of taxes.....  | -   | 480,000                           | 480,000             | 480,000             | 492,163                        | -  | 12,163                         |
| Licenses and permits.....   | -   | 706,000                           | 706,000             | 706,000             | 793,098                        | -  | 87,098                         |
| Fines and forfeitures.....  | -   | 40,000                            | 40,000              | 40,000              | 49,583                         | -  | 9,583                          |
| Intergovernmental - state aid.....  | -   | 5,696,377                         | 5,696,377           | 5,696,377           | 5,704,567                      | -  | 8,190                          |
| Intergovernmental - School Building Authority.....                        | -   | 1,389,800                         | 1,389,800           | 1,389,800           | 1,389,800                      | -  | -                              |
| Departmental and other.....   | -   | 428,450                           | 428,450             | 428,450             | 675,695                        | -  | 247,245                        |
| Investment income.....  | -   | 79,000                            | 79,000              | 79,000              | 201,514                        | -  | 122,514                        |
| <b>TOTAL REVENUES.....</b>  | <b>-</b>                                      | <b>53,670,675</b>                 | <b>53,670,675</b>   | <b>53,784,930</b>   | <b>54,638,599</b>              | <b>-</b>                                   | <b>853,669</b>                 |
| <b>EXPENDITURES:</b>  |   |                                   |                     |                     |                                |  |                                |
| <b>Current:</b>   |   |                                   |                     |                     |                                |  |                                |
| General government.....   | 3,996   | 643,212                           | 647,208             | 696,547             | 632,064                        | 5,000                                      | 59,483                         |
| Finance.....  | 6,823   | 1,288,490                         | 1,295,313           | 1,321,170           | 1,279,791                      | 2,662                                      | 38,717                         |
| Public safety.....  | 467   | 5,379,044                         | 5,379,511           | 5,427,861           | 5,298,744                      | 25,050                                     | 104,067                        |
| Education.....  | 427,517                                       | 30,555,082                        | 30,982,599          | 29,211,084          | 28,894,451                     | 316,633                                    | -                              |
| Public works.....   | 450,874                                       | 4,687,133                         | 5,138,007           | 5,149,118           | 4,034,793                      | 700,479                                    | 413,846                        |
| Planning and development.....   | 6,046   | 310,146                           | 316,192             | 315,966             | 272,587                        | 1,950                                      | 41,429                         |
| Code enforcement.....   | 222   | 446,527                           | 446,749             | 459,959             | 455,370                        | -  | 4,589                          |
| Community and cultural services.....                                      | -   | 570,773                           | 570,773             | 569,511             | 477,031                        | -  | 92,480                         |
| Library.....  | -   | 759,215                           | 759,215             | 759,215             | 755,119                        | -  | 4,096                          |
| Pension benefits.....   | -   | 1,992,392                         | 1,992,392           | 1,992,392           | 1,968,026                      | -  | 24,366                         |
| Property and liability insurance.....                                     | -   | 356,100                           | 356,100             | 349,800             | 196,816                        | -  | 152,984                        |
| Employee benefits.....  | 18,500  | 1,954,551                         | 1,973,051           | 1,902,201           | 1,681,959                      | 45,183                                     | 175,059                        |
| State and county charges.....   | -   | 1,042,994                         | 1,042,994           | 939,793             | 907,131                        | -  | 32,662                         |
| <b>Debt service:</b>  |   |                                   |                     |                     |                                |  |                                |
| Principal.....  | -   | 3,899,931                         | 3,899,931           | 3,729,012           | 3,717,862                      | -  | 11,150                         |
| Interest.....   | 86,053  | 401,127                           | 487,180             | 471,390             | 383,419                        | 86,053                                     | 1,918                          |
| <b>TOTAL EXPENDITURES.....</b>  | <b>1,000,498</b>                              | <b>54,286,717</b>                 | <b>55,287,215</b>   | <b>53,295,019</b>   | <b>50,955,163</b>              | <b>1,183,010</b>                           | <b>1,156,846</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>(1,000,498)</b>                            | <b>(616,042)</b>                  | <b>(1,616,540)</b>  | <b>489,911</b>      | <b>3,683,436</b>               | <b>(1,183,010)</b>                         | <b>2,010,515</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |   |                                   |                     |                     |                                |  |                                |
| Transfers in.....   | -   | 502,671                           | 502,671             | 502,671             | 502,671                        | -  | -                              |
| Transfers out.....  | -   | (138,561)                         | (138,561)           | (2,460,051)         | (2,460,051)                    | -  | -                              |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES).....</b>                      | <b>-</b>                                      | <b>364,110</b>                    | <b>364,110</b>      | <b>(1,957,380)</b>  | <b>(1,957,380)</b>             | <b>-</b>                                   | <b>-</b>                       |
| <b>NET CHANGE IN FUND BALANCE.....</b>                                    | <b>(1,000,498)</b>                            | <b>(251,932)</b>                  | <b>(1,252,430)</b>  | <b>(1,467,469)</b>  | <b>1,726,056</b>               | <b>(1,183,010)</b>                         | <b>2,010,515</b>               |
| <b>BUDGETARY FUND BALANCE, Beginning of year.....</b>                     | <b>-</b>                                      | <b>4,124,573</b>                  | <b>4,124,573</b>    | <b>4,124,573</b>    | <b>4,124,573</b>               | <b>-</b>                                   | <b>-</b>                       |
| <b>BUDGETARY FUND BALANCE, End of year.....</b>                           | <b>\$ (1,000,498)</b>                         | <b>\$ 3,872,641</b>               | <b>\$ 2,872,143</b> | <b>\$ 2,657,104</b> | <b>\$ 5,850,629</b>            | <b>\$ (1,183,010)</b>                      | <b>\$ 2,010,515</b>            |

See notes to required supplementary information.

# ***Pension Plan Schedules***

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

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

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

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

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

| Year                   | Proportion of<br>the net pension<br>liability (asset) | Proportionate<br>share of the<br>net pension<br>liability (asset) | Covered<br>payroll | Net pension<br>liability as a<br>percentage of<br>covered payroll | Plan fiduciary<br>net position as<br>a percentage of<br>the total<br>pension liability |
|------------------------|---|---|--------------------|---|--|
| December 31, 2019..... | 10.477%   | \$ 44,140,209   | \$ 14,634,546      | 301.62%   | 55.46%   |
| December 31, 2018..... | 10.242%   | 43,270,288  | 14,272,854         | 303.16%   | 51.89%   |
| December 31, 2017..... | 10.288%   | 38,718,599  | 13,748,965         | 281.61%   | 55.40%   |
| December 31, 2016..... | 10.325%   | 39,782,214  | 13,639,196         | 291.68%   | 51.12%   |
| December 31, 2015..... | 10.809%   | 39,272,090  | 13,598,463         | 288.80%   | 51.01%   |
| December 31, 2014..... | 10.815%   | 36,691,344  | 13,158,332         | 278.84%   | 52.27%   |

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

See notes to required supplementary information.

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

| Year               | Actuarially<br>determined<br>contribution | Contributions in<br>relation to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered<br>payroll | Contributions as<br>a percentage of<br>covered payroll |
|--------------------|---|--|--|--------------------|--|
| June 30, 2020..... | \$ 3,762,778                              | \$ (3,771,581)   | \$ (8,803)                             | \$ 14,780,891      | 25.52%   |
| June 30, 2019..... | 3,422,787                                 | (3,433,989)  | (11,202)                               | 14,415,583         | 23.82%   |
| June 30, 2018..... | 3,203,826                                 | (3,221,617)  | (17,791)                               | 13,886,455         | 23.20%   |
| June 30, 2017..... | 2,991,712                                 | (3,009,923)  | (18,211)                               | 13,775,588         | 21.85%   |
| June 30, 2016..... | 2,969,479                                 | (2,987,388)  | (17,909)                               | 13,734,448         | 21.75%   |
| June 30, 2015..... | 2,774,038                                 | (2,774,038)  | -                                      | 13,289,915         | 20.87%   |

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

See notes to required supplementary information.

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

---

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

| Year      | Commonwealth's<br>100% Share of the<br>Associated Net<br>Pension Liability | Expense and<br>Revenue<br>Recognized for the<br>Commonwealth's<br>Support | Plan Fiduciary Net<br>Position as a<br>Percentage of the<br>Total Liability |
|-----------|--|---|---|
| 2020..... | \$ 52,957,661  | \$ 6,422,036  | 53.95%  |
| 2019..... | 50,519,698   | 5,119,440   | 54.84%  |
| 2018..... | 49,385,651   | 5,154,524   | 54.25%  |
| 2017..... | 47,221,695   | 4,816,922   | 52.73%  |
| 2016..... | 40,417,885   | 3,278,250   | 55.38%  |
| 2015..... | 32,892,302   | 2,285,186   | 61.64%  |

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

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

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

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

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

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

|   | June 30,<br>2017     | June 30,<br>2018     | June 30,<br>2019     | June 30,<br>2020     |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>   |                      |                      |                      |                      |
| Service Cost.....   | \$ 683,460           | \$ 770,372           | \$ 813,439           | \$ 744,048           |
| Interest.....   | 1,467,865            | 1,814,308            | 1,921,495            | 2,023,193            |
| Differences between expected and actual experience.....                         | 2,187,518            | -                    | -                    | (342,127)            |
| Changes of assumptions.....   | -                    | -                    | -                    | 330,267              |
| Benefit payments.....   | (978,810)            | (1,049,963)          | (1,144,813)          | (1,282,897)          |
| Net change in total OPEB liability.....   | 3,360,033            | 1,534,717            | 1,590,121            | 1,472,484            |
| Total OPEB liability - beginning.....   | 22,304,435           | 25,664,468           | 27,199,185           | 28,789,306           |
| Total OPEB liability - ending (a).....  | <u>\$ 25,664,468</u> | <u>\$ 27,199,185</u> | <u>\$ 28,789,306</u> | <u>\$ 30,261,790</u> |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                      |
| Employer contributions.....   | \$ 434,027           | \$ 443,848           | \$ 385,722           | \$ 439,058           |
| Employer contributions for OPEB payments.....                                   | 978,810              | 1,049,963            | 1,144,813            | 1,282,897            |
| Net investment income.....  | 369,453              | 351,344              | 256,316              | 100,417              |
| Benefit payments.....   | (978,810)            | (1,049,963)          | (1,144,813)          | (1,282,897)          |
| Net change in plan fiduciary net position.....                                  | 803,480              | 795,192              | 642,038              | 539,475              |
| Plan fiduciary net position - beginning of year.....                            | 2,836,322            | 3,639,802            | 4,434,994            | 5,077,032            |
| Plan fiduciary net position - end of year (b).....                              | <u>\$ 3,639,802</u>  | <u>\$ 4,434,994</u>  | <u>\$ 5,077,032</u>  | <u>\$ 5,616,507</u>  |
| <b>Net OPEB liability - ending (a)-(b).....</b>                                 | <u>\$ 22,024,666</u> | <u>\$ 22,764,191</u> | <u>\$ 23,712,274</u> | <u>\$ 24,645,283</u> |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability..... | 14.18%               | 16.31%               | 17.64%               | 18.56%               |
| Covered-employee payroll.....   | \$ 25,678,773        | \$ 28,521,568        | \$ 29,377,215        | \$ 29,079,256        |
| Net OPEB liability as a percentage of<br>covered-employee payroll.....          | 85.77%               | 79.81%               | 80.72%               | 84.75%               |

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

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

See notes to required supplementary information.

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

| <u>Year</u>        | <u>Actuarially<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered-<br/>employee payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered-<br/>employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2020..... | \$ 2,600,193                                       | \$ (1,721,955)  | \$ 878,238                                      | \$ 29,079,256                        | 5.92%   |
| June 30, 2019..... | 2,599,315  | (1,530,535)   | 1,068,780                                       | 29,377,215                           | 5.21%   |
| June 30, 2018..... | 2,264,395  | (1,493,811)   | 770,584   | 28,521,568                           | 5.24%   |
| June 30, 2017..... | 2,151,229  | (1,412,837)   | 738,392   | 25,678,773                           | 5.50%   |

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

---

| <u>Year</u>        | <u>Annual money-weighted<br/>rate of return,<br/>net of investment expense</u> |
|--------------------|--|
| June 30, 2020..... | 1.96%  |
| June 30, 2019..... | 5.71%  |
| June 30, 2018..... | 9.54%  |
| June 30, 2017..... | 12.72%   |

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

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 budget includes \$54.4 million in appropriations and other amounts to be raised and \$1.0 million in encumbrances and appropriations carried over from previous years. During 2020, Town Meeting approved supplemental appropriations totaling \$329,000.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

|  |                     |
|--|---------------------|
| Net change in fund balance - budgetary basis.....                                | \$ 1,726,056        |
| <u>Perspective differences:</u>  |                     |
| Activity of the stabilization fund recorded in the<br>general fund for GAAP..... | 1,656,509           |
| <u>Basis of accounting differences:</u>  |                     |
| Net change in recording 60 day receipts.....                                     | 88,865              |
| Recognition of revenue for on-behalf payments.....                               | 6,422,036           |
| Recognition of expenditures for on-behalf payments.....                          | (6,422,036)         |
| Net change in fund balance - GAAP basis.....                                     | <u>\$ 3,471,430</u> |

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

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

B. Schedule of the Town's Contributions

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

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

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

D. Changes in Assumptions

The following are the changes in actuarial assumptions effective in the January 1, 2020, valuation:

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

E. Changes in Plan Provisions

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

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers.

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

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

B. Schedule of the Town’s Contributions

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

|                                      |  |
|--------------------------------------|--|
| Valuation date.....                  | Actuarially determined contribution was calculated as of July 1, 2019.                   |
| Actuarial cost method.....           | Individual entry age normal.   |
| Asset valuation method.....          | Market value of assets as of the measurement date, June 30, 2020.                        |
| Investment rate of return.....       | 7.01%, net of OPEB plan investment expense, including inflation.                         |
| Municipal bond rate.....             | 2.66% as of June 30, 2020 (Source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG) |
| Single equivalent discount rate..... | 7.00%, net of OPEB plan investment expense, including inflation.                         |
| Medical inflation rate.....          | 4.50%  |
| Inflation.....                       | 2.50% as of June 30, 2020, and for future periods.                                       |
| Salary increases.....                | 3.00% annually as of June 30, 2020, and for future periods.                              |

|                                 |  |
|---------------------------------|--|
| Cost of living adjustments..... | Not applicable.  |
| Pre-retirement mortality.....   | General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females.<br>Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.                                       |
| Post-retirement mortality.....  | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.<br>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.                     |
| Disabled mortality.....         | General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.<br>Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. |

#### C. Schedule of Investment Returns

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

#### D. Changes of Assumptions

The following are the changes in actuarial assumptions effective in the July 1, 2019, valuation:

- The expected long-term medical trend has been updated to 4.50%.
- The mortality table has been updated from RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.

#### E. Changes in Provisions

None.

***Additional Information –  
Municipal Light Enterprise Fund  
Schedules***

**MUNICIPAL LIGHT ENTERPRISE FUND**  
**COMPARATIVE SCHEDULE OF NET POSITION**

JUNE 30, 2020 AND 2019

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| <b>CURRENT:</b>   |                     |                     |
| Cash and cash equivalents.....                                  | \$ 1,399,605        | \$ 433,951          |
| Restricted cash and cash equivalents.....                       | 697,350             | 679,701             |
| Receivables, net of allowance for uncollectibles:               |                     |                     |
| User charges.....   | 1,926,229           | 2,052,316           |
| Inventory.....  | 144,024             | 169,396             |
| Purchased power advanced deposits.....                          | 1,633,655           | 1,636,625           |
| Total current assets.....                                       | 5,800,863           | 4,971,989           |
| <b>NONCURRENT:</b>  |                     |                     |
| Restricted cash and cash equivalents.....                       | 2,234,192           | 1,629,109           |
| Capital assets, non depreciable.....                            | 22,976              | 22,976              |
| Capital assets, net of accumulated depreciation.....            | 14,688,942          | 14,182,564          |
| Total noncurrent assets.....                                    | 16,946,110          | 15,834,649          |
| <b>TOTAL ASSETS.....</b>  | <b>22,746,973</b>   | <b>20,806,638</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                     |                     |
| Deferred outflows related to pensions.....                      | 524,169             | 375,500             |
| Deferred outflows related to other postemployment benefits..... | 72,816              | 65,581              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <b>596,985</b>      | <b>441,081</b>      |
| <b>LIABILITIES</b>  |                     |                     |
| <b>CURRENT:</b>   |                     |                     |
| Warrants payable.....   | 3,086,836           | 1,677,065           |
| Accrued payroll.....  | 78,301              | 59,908              |
| Accrued interest.....   | 14,073              | 16,156              |
| Other liabilities.....  | 2,151,822           | 1,964,804           |
| Customer deposits.....  | 138,869             | 115,140             |
| Compensated absences.....                                       | 22,900              | 22,300              |
| Bonds payable.....  | 480,000             | 480,000             |
| Total current liabilities.....                                  | 5,972,801           | 4,335,373           |
| <b>NONCURRENT:</b>  |                     |                     |
| Compensated absences.....                                       | 206,519             | 200,437             |
| Net pension liability.....                                      | 4,506,462           | 3,595,036           |
| Other postemployment benefits.....                              | 328,979             | 479,284             |
| Bonds payable.....  | 3,490,000           | 3,970,000           |
| Total noncurrent liabilities.....                               | 8,531,960           | 8,244,757           |
| <b>TOTAL LIABILITIES.....</b>                                   | <b>14,504,761</b>   | <b>12,580,130</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                     |                     |
| Deferred inflows related to pensions.....                       | 251,901             | 118,762             |
| Deferred inflows related to other postemployment benefits.....  | 15,983              | 2,543               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <b>267,884</b>      | <b>121,305</b>      |
| <b>NET POSITION</b>   |                     |                     |
| Net investment in capital assets.....                           | 10,741,918          | 9,755,540           |
| Restricted for:   |                     |                     |
| Rate stabilization.....   | 1,495,322           | 1,213,969           |
| Depreciation.....   | 259,070             | 232,266             |
| Unrestricted.....   | (3,924,997)         | (2,655,491)         |
| <b>TOTAL NET POSITION.....</b>                                  | <b>\$ 8,571,313</b> | <b>\$ 8,546,284</b> |

**MUNICIPAL LIGHT ENTERPRISE FUND**  
**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2020 AND 2019

|   | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>OPERATING REVENUES:</b>                              |                     |                     |
| Charges for services.....                               | \$ 16,479,669       | \$ 17,102,663       |
| Other operating revenues.....                           | 383,794             | 229,089             |
| <b>TOTAL OPERATING REVENUES .....</b>                   | <b>16,863,463</b>   | <b>17,331,752</b>   |
| <b>OPERATING EXPENSES:</b>                              |                     |                     |
| Cost of services and administration.....                | 12,959,859          | 13,531,096          |
| Salaries and wages.....                                 | 2,724,487           | 1,728,159           |
| Depreciation.....                                       | 1,001,256           | 987,955             |
| <b>TOTAL OPERATING EXPENSES.....</b>                    | <b>16,685,602</b>   | <b>16,247,210</b>   |
| <b>OPERATING INCOME (LOSS).....</b>                     | <b>177,861</b>      | <b>1,084,542</b>    |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                |                     |                     |
| Investment income.....                                  | 15,561              | 4,348               |
| Interest expense.....                                   | (168,393)           | (189,393)           |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b> | <b>(152,832)</b>    | <b>(185,045)</b>    |
| <b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS.....</b>  | <b>25,029</b>       | <b>899,497</b>      |
| <b>CAPITAL CONTRIBUTIONS.....</b>                       | <b>-</b>            | <b>5,480</b>        |
| <b>CHANGE IN NET POSITION.....</b>                      | <b>25,029</b>       | <b>904,977</b>      |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>           | <b>8,546,284</b>    | <b>7,641,307</b>    |
| <b>NET POSITION AT END OF YEAR.....</b>                 | <b>\$ 8,571,313</b> | <b>\$ 8,546,284</b> |

**MUNICIPAL LIGHT ENTERPRISE FUND**  
**COMPARATIVE SCHEDULE OF CASH FLOWS**

YEARS ENDED JUNE 30, 2020 AND 2019

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                     |                     |                     |
| Receipts from customers and users.....   | \$ 17,013,279       | \$ 17,496,421       |
| Payments to vendors.....   | (10,589,137)        | (13,520,433)        |
| Payments to employees.....   | (2,693,207)         | (1,513,343)         |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>3,730,935</b>    | <b>2,462,645</b>    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                 |                     |                     |
| Capital contributions.....   | -                   | 5,480               |
| Acquisition and construction of capital assets.....                              | (1,507,634)         | (806,147)           |
| Principal payments on bonds and notes.....                                       | (480,000)           | (480,000)           |
| Interest expense.....  | (170,476)           | (191,476)           |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>               | <b>(2,158,110)</b>  | <b>(1,472,143)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |                     |                     |
| Investment income.....   | 15,561              | 4,348               |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>                              | <b>1,588,386</b>    | <b>994,850</b>      |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>                       | <b>2,742,761</b>    | <b>1,747,911</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>                             | <b>\$ 4,331,147</b> | <b>\$ 2,742,761</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>                     |                     |                     |
| <b>FROM OPERATING ACTIVITIES:</b>  |                     |                     |
| Operating income (loss).....   | \$ 177,861          | \$ 1,084,542        |
| Adjustments to reconcile operating income to net cash from operating activities: |                     |                     |
| Depreciation.....  | 1,001,256           | 987,955             |
| Deferred (outflows)/inflows related to pensions.....                             | (15,530)            | (289,179)           |
| Deferred (outflows)/inflows related to other postemployment benefits.....        | 6,205               | 133,958             |
| User charges.....  | 126,087             | 171,902             |
| Inventory.....   | 25,372              | (11,143)            |
| Purchased power advanced deposits.....   | 2,970               | (15,085)            |
| Warrants payable.....  | 1,409,771           | (913,803)           |
| Accrued payroll.....   | 18,393              | 29,843              |
| Customer deposits.....   | 23,729              | (7,233)             |
| Other liabilities.....   | 187,018             | 1,181,634           |
| Compensated absences.....  | 6,682               | 51,015              |
| Net pension liability.....   | 911,426             | 201,282             |
| Other postemployment benefits.....   | (150,305)           | (143,043)           |
| <b>Total adjustments.....</b>  | <b>3,553,074</b>    | <b>1,378,103</b>    |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>\$ 3,730,935</b> | <b>\$ 2,462,645</b> |

**MUNICIPAL LIGHT ENTERPRISE FUND**  
**COMPARATIVE SCHEDULE OF SALES OF ELECTRICITY**

YEARS ENDED JUNE 30, 2020 AND 2019

|                                 | <u>2020</u>          | <u>2019</u>          |
|---------------------------------|----------------------|----------------------|
| <u>SALES OF ELECTRICITY:</u>    |                      |                      |
| Residential.....                | \$ 7,472,582         | \$ 7,558,591         |
| Commercial.....                 | 800,556              | 830,626              |
| Industrial.....                 | 7,386,821            | 7,803,259            |
| Municipal.....                  | 728,836              | 816,729              |
| Private Lighting.....           | 34,681               | 34,610               |
| Street Lights.....              | <u>56,193</u>        | <u>58,848</u>        |
| TOTAL SALES OF ELECTRICITY..... | <u>\$ 16,479,669</u> | <u>\$ 17,102,663</u> |

**MUNICIPAL LIGHT ENTERPRISE FUND**  
**COMPARATIVE SCHEDULE OF COST OF SERVICE AND ADMINISTRATION**

YEARS ENDED JUNE 30, 2020 AND 2019

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b><u>COST OF SERVICE AND ADMINISTRATION:</u></b>     |                      |                      |
| <b><u>Power Production Expenses:</u></b>              |                      |                      |
| Purchased power.....                                  | \$ 10,973,666        | \$ 11,854,944        |
| Other power expenses.....                             | 921,172              | 888,790              |
| <b>Total Power Production Expenses.....</b>           | <b>11,894,838</b>    | <b>12,743,734</b>    |
| <b><u>Distribution Expenses:</u></b>                  |                      |                      |
| Station expenses.....                                 | 54,291               | 66,404               |
| Customer installation expenses.....                   | 112,505              | 41,869               |
| Miscellaneous distribution expense.....               | 254,523              | 236,707              |
| Maintenance of overhead lines.....                    | 923,412              | 813,163              |
| Maintenance of street lights and signal systems.....  | 4,087                | 7,971                |
| <b>Total Distribution Expenses.....</b>               | <b>1,348,818</b>     | <b>1,166,114</b>     |
| <b><u>Customer Account Expenses:</u></b>              |                      |                      |
| Customer records and collection.....                  | 231,792              | 214,359              |
| Uncollectible accounts.....                           | 199,604              | 8,008                |
| <b>Total Customer Account Expenses.....</b>           | <b>431,396</b>       | <b>222,367</b>       |
| <b><u>Administrative and General Expenses:</u></b>    |                      |                      |
| Payments in lieu of taxes.....                        | 316,460              | 323,126              |
| Administrative and general salaries.....              | 1,242,863            | 246,296              |
| Office supplies and expenses.....                     | 99,403               | 100,184              |
| Outside services.....                                 | 67,610               | 80,712               |
| Property and general insurance.....                   | 68,084               | 70,523               |
| Employee's pensions and benefits.....                 | 927,211              | 257,863              |
| Miscellaneous general expense.....                    | 42,023               | 48,336               |
| <b>Total Administrative and General Expenses.....</b> | <b>2,763,654</b>     | <b>1,127,040</b>     |
| <b>TOTAL COST OF SERVICE AND ADMINISTRATION.....</b>  | <b>\$ 16,438,706</b> | <b>\$ 15,259,255</b> |