

TOWN OF SAUGUS, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2020

TOWN OF SAUGUS, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Saugus, 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 Saugus, Massachusetts as of and for the year ended June 30, 2020 (except for the Saugus Contributory Retirement System which is as of and for the year ended December 31, 2019), 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 Saugus, Massachusetts, as of June 30, 2020 (except for the Saugus

Contributory Retirement System which is as of and for the year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of the Town of Saugus, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Saugus, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan, LLC

February 22, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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 or charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, trash removal and recycling, human services, culture and recreation, and interest. The business type activities include costs relating to the water and sewer activities.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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 and outflows 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 maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and data from the other funds that are combined into a single, aggregate presentation under the caption *non-major governmental funds*.

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

Proprietary funds - The Town maintains three types of proprietary funds.

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$32.2 million at the close of 2020.

Net position of \$128.5 million reflects its net investment in capital assets (e.g., land, buildings, infrastructure, 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 Town's net position in the amount of \$3.2 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$163.9 million.

At the end of the current year the Town is able to report positive balances in two of the three categories of net position for the Town as a whole. Unrestricted net position is negative due primarily to the impact of the recognition of a postemployment benefit liability of \$145.7 million and a net pension liability of \$22.4 million.

Details related to the Town's governmental and business-type activities follow.

Governmental Activities

As noted earlier net position may serve, over time, as a useful indicator of a government's financial position. The liabilities and deferred inflows of governmental activities exceeded assets and deferred outflows by \$68 million at the close of 2020. Components of the Town's governmental financial position are listed below.

	2020	2019
Assets:		
Current assets.....	\$ 75,047,430	\$ 71,121,735
Capital assets, non depreciable.....	15,997,337	72,167,083
Capital assets, net of accumulated depreciation....	183,086,100	52,177,029
Total assets.....	274,130,867	195,465,847
Deferred outflows of resources.....	18,603,928	29,765,752
Liabilities:		
Current liabilities (excluding debt).....	19,830,067	19,948,401
Noncurrent liabilities (excluding debt).....	170,616,713	218,178,380
Current debt.....	4,030,208	3,166,697
Noncurrent debt.....	122,177,686	80,739,639
Total liabilities.....	316,654,674	322,033,117
Deferred inflows of resources.....	44,052,734	11,858,167
Net position:		
Net investment in capital assets.....	100,530,596	64,818,252
Restricted.....	3,248,511	3,406,042
Unrestricted.....	(171,751,720)	(176,883,979)
Total net position.....	\$ (67,972,613)	\$ (108,659,685)

A significant portion of the Town's governmental activities net position, \$100.5 million, reflects its net investment in capital assets less any related debt used to acquire those assets that is still outstanding.

The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt it should be noted that the resources to repay debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

Net position has also been restricted in the amount of \$3.2 million. This amount represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position in the amount of \$171.8 million is due primarily to the recognition of the net other postemployment benefit liability in the amount of \$145.1 million and a net pension liability of \$21.8 million. The Town has also recorded net deferred inflows of resources related to pension of \$959,000 and net deferred inflows of resources related to

the net other postemployment benefit liability of \$24.5 million. The Town will amortize these balances over the next five years.

In addition to the liability for postemployment benefits and the net pension liability, governmental activity liabilities include \$126.2 million in general obligation bonds and short term notes and \$4.5 million in compensated absence liabilities for unused sick and vacation leave that will be payable to employees upon the end of their employment with the Town.

The following summarizes the current and prior year governmental activities:

	2020	2019
Program Revenues:		
Charges for services.....	\$ 3,725,400	\$ 4,478,618
Operating grants and contributions.....	19,164,575	17,597,294
Capital grants and contributions.....	35,719,348	14,274,049
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	70,857,641	67,758,425
Tax and other liens.....	712,786	846,503
Motor vehicle and other excise taxes.....	4,453,116	4,517,153
Hotel/motel tax.....	576,710	781,132
Meals tax.....	962,899	1,015,014
Penalties and interest on taxes.....	220,749	280,490
Payments in lieu of taxes.....	72,484	70,840
Grants and contributions not restricted to specific programs.....	4,240,451	4,354,795
Unrestricted investment income.....	1,316,973	1,894,819
Total revenues.....	142,023,132	117,869,132
Expenses:		
General government.....	4,386,731	5,946,091
Public safety.....	21,685,438	23,490,400
Education.....	58,266,996	66,566,111
Public works.....	5,289,634	7,084,374
Recycling and trash removal.....	2,025,285	1,908,720
Health and human services.....	1,154,278	1,558,078
Culture and recreation.....	1,961,651	2,764,985
COVID-19.....	249,607	-
Interest.....	3,808,294	3,021,459
Total expenses.....	98,827,914	112,340,218
Excess (Deficiency) before transfers.....	43,195,218	5,528,914
Transfers.....	(2,508,146)	-
Change in net position.....	40,687,072	5,528,914
Net position, beginning of year.....	(108,659,685)	(114,188,599)
Net position, end of year.....	\$ (67,972,613)	\$ (108,659,685)

The governmental activities net position increased by \$40.7 million over the prior year. This increase is due to the receipt of capital grants totaling \$35.7 million. The net decrease in liabilities and deferred inflows and outflows associated with the net pension and net OPEB liabilities also contributed to the increase in net position.

Business-Type Activities

The following summarizes the financial components of the Town's Business-Type Activities:

	2020	2019
Assets:		
Current assets.....	\$ 18,986,502	\$ 15,668,920
Capital assets, non depreciable.....	6,275,736	6,033,814
Capital assets, net of accumulated depreciation....	44,689,085	43,469,489
Total assets.....	69,951,323	65,172,223
Deferred outflows of resources.....	183,042	360,825
Liabilities:		
Current liabilities (excluding debt).....	1,364,459	804,361
Noncurrent liabilities (excluding debt).....	1,357,295	2,309,285
Current debt.....	2,632,452	2,022,165
Noncurrent debt.....	28,650,687	28,185,199
Total liabilities.....	34,004,893	33,321,010
Deferred inflows of resources.....	362,005	90,154
Net position:		
Net investment in capital assets.....	27,925,579	24,536,681
Unrestricted.....	7,841,888	7,585,203
Total net position.....	\$ 35,767,467	\$ 32,121,884
Program Revenues:		
Charges for services.....	\$ 12,800,646	\$ 10,784,509
Capital grants and contributions.....	-	196,868
General Revenues:		
Unrestricted investment income.....	2,422	-
Total revenues.....	12,845,068	10,981,377
Expenses:		
Water.....	6,157,072	6,219,070
Sewer.....	4,563,936	4,616,672
Cable.....	986,623	-
Total expenses.....	11,707,631	10,835,742
Excess (Deficiency) before transfers.....	1,137,437	145,635
Transfers.....	2,508,146	-
Change in net position.....	3,645,583	145,635
Net position, beginning of year.....	32,121,884	31,976,249
Net position, end of year.....	\$ 35,767,467	\$ 32,121,884

Total business type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35.8 million at the close of 2020.

Net position of \$27.9 million reflect the investment in capital assets less any debt used to acquire those assets that are still outstanding. The remaining balance of unrestricted net position of \$7.8 million may be used to meet ongoing obligations.

The Water Enterprise Fund net position increased by \$1.1 million due to prudent management of operating expenses, increases in per gallon user charges, and overall higher consumption of water.

The Sewer Enterprise Fund net position increased by \$1.3 million due to principal payments on long term debt exceeding depreciation expense, a transfer in from special revenue funds to fund capital upgrades

The Cable Enterprise Fund was established in 2020. In prior years, the activity was accounted for as a special revenue fund. Remaining special revenue funds were transferred to the newly established enterprise fund in 2020. Operating costs exceeded revenues in 2020, but the fund had an ending fund balance of \$1.3 million.

Financial Analysis of the Government's Funds

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

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

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund equaled \$14.6 million, while total fund balance equaled \$16.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.1% of general fund expenditures while total fund balance represents 17.4%. The general fund increased by \$3.2 million during 2020. The increase is mainly due to overall budget growth and positive budgetary results of \$2.3 million.

Middle and High School Capital Projects Fund

The School Capital Projects Fund increased by \$3.6 million. This was mainly the result of the Town incurring expenditures of \$72.1 million for the construction of a new middle/high school. The Town also expended \$1 million in relation to the renovation of other school buildings. The Town received \$34.1 million in reimbursements from a grant agreement with the Massachusetts School Building Authority that partially funds the construction of the new middle/high school. Construction and renovations costs were also funded by the receipt of \$42.6 million from the issuance of bonds and related bond premiums.

Town Capital Projects Fund

The Town Capital Projects Fund decreased by \$1.6 million when compared to the prior year. This was the result of the Town incurring expenditures of \$2.8 million for street and sidewalk infrastructure upgrades. These expenditures were funded by private contributions of \$225,000 and \$907,000 from the issuance of bonds.

The nonmajor governmental funds decreased by \$2.5 million. The decrease is due to a transfer of funds to the sewer and cable enterprise funds.

As of the end of the year, governmental funds reported combined ending fund balances of \$51.8 million, an increase of \$2.7 million from the prior year.

COVID-19

In the Spring of 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided federal funding to assist communities in paying costs incurred between March 1, 2020 and December 31, 2021, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which was allocated among to local governments based on population. Of the \$2.7 billion, the Town has been allocated CARES Act funding in the amount of \$2.5 million. Approximately, \$1 million of the allotment was received by the Town prior to June 30, 2020. The Town has incurred eligible grant expenditures of approximately \$250,000. A liability of unearned revenue totaling \$988,000 was recorded for funds not yet spent by year end.

General Fund Budgetary Highlights

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule is presented as required supplementary information after the Notes to the Basic Financial Statements. There is a difference of \$500,000 between the original budget and the final budget. The increase in appropriations was funded by an equal amount of free cash and affected various functions. Actual revenues were lower than budgeted amounts by \$1.4 million, while actual expenditures, including carryovers, were less than budgeted amounts by \$3.8 million.

Revenues decreased greatly during the fourth quarter of fiscal year 2020. This was due to state and local government-imposed modifications to business operations of private businesses, in response to COVID-19. This led to a decline in revenue within the lodging, construction, and dining industries. The decline in revenues has a direct effect on the amount of tax and non-tax revenue the Town collects. Revenue declines were evident in hotel/motel tax revenue, meals tax revenue, fee and rental revenue, and license and permit revenue.

Expenditures were less than budget due to prudent management of appropriations. Also, due to COVID-19, certain operations of the Town such as building utility and energy costs, student transportation costs, and costs associated with certain recreational activities were less than expected.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for governmental activities as of June 30, 2020, amounts to \$198.4 million, net of accumulated depreciation. The investment in capital assets includes land; construction in progress; buildings and improvements, machinery and equipment and public works infrastructure. The Town capitalized \$76.9 million of governmental activities capital expenditures in 2020. The governmental activities incurred depreciation expense of \$2.9 million.

The Town's investment in capital assets for business type activities as of June 30, 2020 amounts to \$51.0 million, net of accumulated depreciation. The investment in capital assets for the business type activities predominately relates to water and sewer infrastructure. The Town capitalized \$3.2 million of business-type activities capital expenditures in 2020. The business-type activities incurred depreciation expense of \$1.8 million.

Additional information on the Town's capital assets may be found in Note 4 to the basic financial statements.

Long-term debt - At June 30, 2020, the Town had total long term governmental bonded debt of \$125.7 million which mainly consists of outstanding debt relative to school and other general building construction, renovation and upgrades. The Town has short term notes payable of \$1.9 million outstanding at June 30, 2020.

The water and sewer enterprise funds have \$31.3 million in long-term debt that is supported by the water and sewer rates.

Additional information on the Town's debt activity may be found in Notes 6 & 7 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Saugus's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer/Collector, Town of Saugus, Town Hall, 298 Central Street, Saugus, MA 01906.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2020

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 56,700,128	\$ 9,739,477	\$ 66,439,605
Investments.....	10,277,120	2,182,204	12,459,324
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	987,034	-	987,034
Tax liens.....	1,547,927	-	1,547,927
Motor vehicle and other excise taxes.....	656,205	-	656,205
User charges.....	-	7,064,821	7,064,821
Departmental and other.....	135,288	-	135,288
Intergovernmental - other.....	4,221,056	-	4,221,056
Tax foreclosures.....	522,672	-	522,672
Total current assets.....	<u>75,047,430</u>	<u>18,986,502</u>	<u>94,033,932</u>
NONCURRENT:			
Capital assets, nondepreciable.....	15,997,337	6,275,736	22,273,073
Capital assets, net of accumulated depreciation.....	<u>183,086,100</u>	<u>44,689,085</u>	<u>227,775,185</u>
Total noncurrent assets.....	<u>199,083,437</u>	<u>50,964,821</u>	<u>250,048,258</u>
TOTAL ASSETS.....	<u>274,130,867</u>	<u>69,951,323</u>	<u>344,082,190</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	3,463,648	87,352	3,551,000
Deferred outflows related to other postemployment benefits.....	<u>15,140,280</u>	<u>95,690</u>	<u>15,235,970</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>18,603,928</u>	<u>183,042</u>	<u>18,786,970</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	13,503,988	996,995	14,500,983
Accrued payroll.....	800,161	-	800,161
Tax refunds payable.....	1,359,012	-	1,359,012
Accrued interest.....	1,882,376	305,464	2,187,840
Other liabilities.....	290,052	-	290,052
Unearned revenue.....	824,478	-	824,478
Landfill closure.....	20,000	-	20,000
Compensated absences.....	1,150,000	62,000	1,212,000
Notes payable.....	485,255	-	485,255
Bonds payable.....	<u>3,544,953</u>	<u>2,632,452</u>	<u>6,177,405</u>
Total current liabilities.....	<u>23,860,275</u>	<u>3,996,911</u>	<u>27,857,186</u>
NONCURRENT:			
Landfill closure.....	320,000	-	320,000
Compensated absences.....	3,390,000	199,000	3,589,000
Net pension liability.....	21,841,179	550,821	22,392,000
Net other postemployment benefits liability.....	145,065,534	607,474	145,673,008
Bonds payable.....	<u>122,177,686</u>	<u>28,650,687</u>	<u>150,828,373</u>
Total noncurrent liabilities.....	<u>292,794,399</u>	<u>30,007,982</u>	<u>322,802,381</u>
TOTAL LIABILITIES.....	<u>316,654,674</u>	<u>34,004,893</u>	<u>350,659,567</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	4,422,468	111,532	4,534,000
Deferred inflows related to other postemployment benefits.....	<u>39,630,266</u>	<u>250,473</u>	<u>39,880,739</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>44,052,734</u>	<u>362,005</u>	<u>44,414,739</u>
NET POSITION			
Net investment in capital assets.....	100,530,596	27,925,579	128,456,175
Restricted for:			
Permanent funds:			
Expendable.....	196,873	-	196,873
Nonexpendable.....	1,344,919	-	1,344,919
Gifts and grants.....	1,706,719	-	1,706,719
Unrestricted.....	<u>(171,751,720)</u>	<u>7,841,888</u>	<u>(163,909,832)</u>
TOTAL NET POSITION.....	<u>\$ (67,972,613)</u>	<u>\$ 35,767,467</u>	<u>\$ (32,205,146)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 4,386,731	\$ 1,117,955	\$ 351,323	\$ -	\$ (2,917,453)	
Public safety.....	21,685,438	1,047,235	130,238	-	(20,507,965)	
Education.....	58,266,996	1,076,867	18,009,923	34,092,889	(5,087,317)	
Public works.....	5,289,634	209,833	26,725	1,626,459	(3,426,617)	
Trash removal and recycling.....	2,025,285	41,798	-	-	(1,983,487)	
Health and human services.....	1,154,278	103,903	144,993	-	(905,382)	
Culture and recreation.....	1,961,651	127,809	251,766	-	(1,582,076)	
COVID-19.....	249,607	-	249,607	-	-	
Interest.....	3,808,294	-	-	-	(3,808,294)	
Total Governmental Activities.....	98,827,914	3,725,400	19,164,575	35,719,348	(40,218,591)	
Business-Type Activities:						
Water.....	6,157,072	7,226,814	42,000	-	1,111,742	
Sewer.....	4,563,936	5,092,235	-	-	528,299	
Cable.....	986,623	481,597	-	-	(505,026)	
Total Business-Type Activities.....	11,707,631	12,800,646	42,000	-	1,135,015	
Total Primary Government.....	\$ 110,535,545	\$ 16,526,046	\$ 19,206,575	\$ 35,719,348	\$ (39,083,576)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(40,218,591)	1,135,015	(39,083,576)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	70,857,641	-	70,857,641
Tax and other liens.....	712,786	-	712,786
Motor vehicle and other excise taxes.....	4,453,116	-	4,453,116
Hotel/motel tax.....	576,710	-	576,710
Meals tax.....	962,899	-	962,899
Penalties and interest on taxes.....	220,749	-	220,749
Payments in lieu of taxes.....	72,484	-	72,484
Grants and contributions not restricted to specific programs.....	4,240,451	-	4,240,451
Unrestricted investment income.....	1,316,973	2,422	1,319,395
<i>Transfers, net</i>	(2,508,146)	2,508,146	-
Total general revenues and transfers.....	80,905,663	2,510,568	83,416,231
Change in net position.....	40,687,072	3,645,583	44,332,655
<i>Net position:</i>			
Beginning of year.....	(108,659,685)	32,121,884	(76,537,801)
End of year..... \$	(67,972,613)	35,767,467	(32,205,146)

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	Middle and High School Capital Projects	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 10,473,931	\$ 36,841,459	\$ 3,640,634	\$ 5,744,104	\$ 56,700,128
Investments.....	8,963,258	-	-	1,313,862	10,277,120
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	987,034	-	-	-	987,034
Tax liens.....	1,547,927	-	-	-	1,547,927
Motor vehicle and other excise taxes.....	656,205	-	-	-	656,205
Departmental and other.....	134,968	-	-	320	135,288
Intergovernmental.....	265,084	3,071,254	-	884,718	4,221,056
Tax foreclosures.....	522,672	-	-	-	522,672
TOTAL ASSETS.....	\$ 23,551,079	\$ 39,912,713	\$ 3,640,634	\$ 7,943,004	\$ 75,047,430
LIABILITIES					
Warrants payable.....	\$ 579,581	\$ 12,531,605	\$ 295,435	\$ 97,367	\$ 13,503,988
Accrued payroll.....	800,161	-	-	-	800,161
Tax refunds payable.....	1,359,012	-	-	-	1,359,012
Other liabilities.....	290,052	-	-	-	290,052
Unearned revenue.....	-	-	-	824,478	824,478
Notes payable.....	-	-	485,255	-	485,255
TOTAL LIABILITIES.....	3,028,806	12,531,605	780,690	921,845	17,262,946
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	3,703,888	-	-	789,168	4,493,056
FUND BALANCES					
Nonspendable.....	-	-	-	1,344,919	1,344,919
Restricted.....	-	27,381,108	2,859,944	5,125,077	35,366,129
Assigned.....	2,220,665	-	-	-	2,220,665
Unassigned.....	14,597,720	-	-	(238,005)	14,359,715
TOTAL FUND BALANCES.....	16,818,385	27,381,108	2,859,944	6,231,991	53,291,428
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 23,551,079	\$ 39,912,713	\$ 3,640,634	\$ 7,943,004	\$ 75,047,430

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.....	\$ 53,291,428
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	199,083,437
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	4,493,056
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(25,448,806)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(1,882,376)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(125,722,639)
Net pension liability.....	(21,841,179)
Net other postemployment benefits liability.....	(145,065,534)
Landfill closure.....	(340,000)
Compensated absences.....	(4,540,000)
Net effect of reporting long-term liabilities.....	<u>(297,509,352)</u>
Net position of governmental activities.....	<u>\$ (67,972,613)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	School Capital Projects	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 70,503,317	\$ -	\$ -	\$ -	\$ 70,503,317
Tax liens.....	564,776	-	-	-	564,776
Motor vehicle and other excise taxes.....	4,172,084	-	-	-	4,172,084
Hotel/motel tax.....	576,710	-	-	-	576,710
Meals tax.....	962,899	-	-	-	962,899
Charges for services.....	-	-	-	1,262,511	1,262,511
Penalties and interest on taxes.....	220,749	-	-	-	220,749
Fees and rentals.....	564,479	-	-	-	564,479
Payments in lieu of taxes.....	72,484	-	-	-	72,484
Licenses and permits.....	1,057,351	-	-	-	1,057,351
Fines and forfeitures.....	265,720	-	-	-	265,720
Intergovernmental - School Building Authority.....	-	34,092,889	-	-	34,092,889
Intergovernmental - Teachers Retirement.....	8,196,495	-	-	-	8,196,495
Intergovernmental.....	11,027,298	-	33,331	4,340,447	15,401,076
Intergovernmental - COVID-19 relief.....	-	-	-	249,607	249,607
Departmental and other.....	626,484	-	-	92,556	719,040
Contributions and donations.....	-	-	225,000	231,331	456,331
Investment income.....	1,297,034	-	-	19,939	1,316,973
TOTAL REVENUES.....	100,107,880	34,092,889	258,331	6,196,391	140,655,491
EXPENDITURES:					
Current:					
General government.....	2,248,441	-	1,248,399	135,386	3,632,226
Public safety.....	13,703,661	-	8,877	336,849	14,049,387
Education.....	32,230,698	73,146,280	30,000	4,051,074	109,458,052
Public works.....	3,090,706	-	1,547,411	1,073,275	5,711,392
Trash removal and recycling.....	1,959,495	-	-	-	1,959,495
Health and human services.....	676,592	-	-	112,208	788,800
Culture and recreation.....	1,086,488	-	-	227,774	1,314,262
COVID-19.....	-	-	-	249,607	249,607
Pension benefits.....	6,951,113	-	-	-	6,951,113
Pension benefits - Teachers Retirement.....	8,196,495	-	-	-	8,196,495
Property and liability insurance.....	802,500	-	-	-	802,500
Employee benefits.....	15,492,201	-	-	-	15,492,201
State and county charges.....	4,533,866	-	-	-	4,533,866
Debt service:					
Principal.....	2,685,000	-	-	-	2,685,000
Interest.....	3,161,122	-	-	-	3,161,122
TOTAL EXPENDITURES.....	96,818,378	73,146,280	2,834,687	6,186,173	178,985,518
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,289,502	(39,053,391)	(2,576,356)	10,218	(38,330,027)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	39,862,000	2,047,000	-	41,909,000
Premium from issuance of bonds.....	-	2,764,000	310,000	-	3,074,000
Transfers in.....	-	-	6,589	35,000	41,589
Transfers out.....	(41,589)	-	-	(2,508,146)	(2,549,735)
TOTAL OTHER FINANCING SOURCES (USES)...	(41,589)	42,626,000	2,363,589	(2,473,146)	42,474,854
NET CHANGE IN FUND BALANCES.....	3,247,913	3,572,609	(212,767)	(2,462,928)	4,144,827
FUND BALANCES AT BEGINNING OF YEAR.....	13,570,472	23,808,499	3,072,711	8,694,919	49,146,601
FUND BALANCES AT END OF YEAR.....	\$ 16,818,385	\$ 27,381,108	\$ 2,859,944	\$ 6,231,991	\$ 53,291,428

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.....	\$	4,144,827
<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.....	77,679,072	
Depreciation expense.....	<u>(2,939,747)</u>	
Net effect of reporting capital assets.....		74,739,325
<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>		
		660,816
<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>		
Issuance of bonds.....	(41,909,000)	
Premium from issuance of bonds.....	(3,074,000)	
Amortization of premium from issuance of bonds.....	171,697	
Debt service principal payments.....	<u>2,685,000</u>	
Net effect of reporting long-term debt.....		(42,126,303)
<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.....	21,000	
Net change in accrued interest on long-term debt.....	(818,869)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(9,184,546)	
Net change in net pension liability.....	10,889,366	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(34,171,845)	
Net change in net other postemployment benefits liability.....	36,513,301	
Net change in landfill closure.....	<u>20,000</u>	
Net effect of recording long-term liabilities.....		<u>3,268,407</u>
Change in net position of governmental activities.....	\$	<u><u>40,687,072</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Cable	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 6,364,803	\$ 2,349,719	\$ 1,024,955	\$ 9,739,477
Investments.....	-	2,182,204	-	2,182,204
Receivables, net of allowance for uncollectibles:				
User charges.....	4,109,313	2,955,508	-	7,064,821
Total current assets.....	10,474,116	7,487,431	1,024,955	18,986,502
NONCURRENT:				
Capital assets, non depreciable.....	1,385,531	4,615,205	275,000	6,275,736
Capital assets, net of accumulated depreciation.....	17,841,842	26,847,243	-	44,689,085
Total noncurrent assets.....	19,227,373	31,462,448	275,000	50,964,821
TOTAL ASSETS.....	29,701,489	38,949,879	1,299,955	69,951,323
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	41,070	46,282	-	87,352
Deferred outflows related to other postemployment benefits.....	53,650	42,040	-	95,690
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	94,720	88,322	-	183,042
LIABILITIES				
CURRENT:				
Warrants payable.....	422,299	574,696	-	996,995
Accrued interest.....	71,845	233,619	-	305,464
Compensated absences.....	35,000	24,000	3,000	62,000
Bonds payable.....	1,038,133	1,594,319	-	2,632,452
Total current liabilities.....	1,567,277	2,426,634	3,000	3,996,911
NONCURRENT:				
Compensated absences.....	103,000	73,000	23,000	199,000
Net pension liability.....	258,974	291,847	-	550,821
Net other postemployment benefits liability.....	280,597	326,877	-	607,474
Bonds payable.....	8,157,749	20,492,938	-	28,650,687
Total noncurrent liabilities.....	8,800,320	21,184,662	23,000	30,007,982
TOTAL LIABILITIES.....	10,367,597	23,611,296	26,000	34,004,893
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	52,438	59,094	-	111,532
Deferred inflows related to other postemployment benefits.....	140,432	110,041	-	250,473
TOTAL DEFERRED INFLOWS OF RESOURCES.....	192,870	169,135	-	362,005
NET POSITION				
Net investment in capital assets.....	14,026,447	13,624,132	275,000	27,925,579
Unrestricted.....	5,209,295	1,633,638	998,955	7,841,888
TOTAL NET POSITION.....	\$ 19,235,742	\$ 15,257,770	\$ 1,273,955	\$ 35,767,467

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Cable	Total
OPERATING REVENUES:				
Charges for services.....	\$ 7,222,000	\$ 5,075,975	\$ 481,597	\$ 12,779,572
OPERATING EXPENSES:				
Cost of services and administration.....	5,008,379	2,598,983	624,539	8,231,901
Salaries and wages.....	337,275	308,000	362,084	1,007,359
Depreciation.....	623,923	1,142,606	-	1,766,529
TOTAL OPERATING EXPENSES.....	5,969,577	4,049,589	986,623	11,005,789
OPERATING INCOME (LOSS).....	1,252,423	1,026,386	(505,026)	1,773,783
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	4,814	16,260	2,422	23,496
Interest expense.....	(187,495)	(514,347)	-	(701,842)
Intergovernmental.....	42,000	-	-	42,000
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(140,681)	(498,087)	2,422	(636,346)
INCOME (LOSS) BEFORE TRANSFERS.....	1,111,742	528,299	(502,604)	1,137,437
TRANSFERS:				
Transfers in.....	-	731,587	1,776,559	2,508,146
CHANGE IN NET POSITION.....	1,111,742	1,259,886	1,273,955	3,645,583
NET POSITION AT BEGINNING OF YEAR.....	18,124,000	13,997,884	-	32,121,884
NET POSITION AT END OF YEAR.....	\$ 19,235,742	\$ 15,257,770	\$ 1,273,955	\$ 35,767,467

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Cable	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 6,302,020	\$ 4,337,282	\$ 481,597	\$ 11,120,899
Payments to vendors.....	(5,090,393)	(2,433,265)	(624,539)	(8,148,197)
Payments to employees.....	(355,275)	(409,000)	(336,084)	(1,100,359)
NET CASH FROM OPERATING ACTIVITIES.....	856,352	1,495,017	(479,026)	1,872,343
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	-	731,587	1,776,559	2,508,146
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds.....	3,097,940	431,680	-	3,529,620
Acquisition and construction of capital assets.....	(1,353,418)	(1,599,629)	(275,000)	(3,228,047)
Principal payments on bonds and notes.....	(677,305)	(1,312,278)	-	(1,989,583)
Interest expense.....	(118,428)	(506,958)	-	(625,386)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	948,789	(2,987,185)	(275,000)	(2,313,396)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	(106,942)	-	(106,942)
Investment income.....	4,814	16,260	2,422	23,496
NET CASH FROM INVESTING ACTIVITIES.....	4,814	(90,682)	2,422	(83,446)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,809,955	(851,263)	1,024,955	1,983,647
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,554,848	3,200,982	-	7,755,830
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,364,803	\$ 2,349,719	\$ 1,024,955	\$ 9,739,477
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 1,252,423	\$ 1,026,386	\$ (505,026)	\$ 1,773,783
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	623,923	1,142,606	-	1,766,529
Deferred (outflows)/inflows related to pensions.....	120,393	125,061	-	245,454
Deferred (outflows)/inflows related to other postemployment benefits.....	106,334	97,846	-	204,180
Changes in assets and liabilities:				
User charges.....	(919,980)	(932,329)	-	(1,852,309)
Intergovernmental.....	-	193,636	-	193,636
Warrants payable.....	214,181	277,879	-	492,060
Compensated absences.....	(18,000)	(101,000)	26,000	(93,000)
Net pension liability.....	(174,839)	(154,795)	-	(329,634)
Other postemployment benefits liability.....	(348,083)	(180,273)	-	(528,356)
Total adjustments.....	(396,071)	468,631	26,000	98,560
NET CASH FROM OPERATING ACTIVITIES.....	\$ 856,352	\$ 1,495,017	\$ (479,026)	\$ 1,872,343
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Intergovernmental subsidy of debt service.....	\$ 42,000	\$ -	\$ -	\$ 42,000

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Pension and Other Postemployment Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 302,697	\$ 127,508	\$ 222,805
Investments:			
Investments in Pension Reserve Investment Trust.....	83,077,230	-	-
Collective investment trust.....	16,247,542	-	-
Equity mutual funds.....	7,648,774	-	-
Fixed income mutual funds.....	9,828,590	-	-
Other investments.....	-	642,253	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	3,552,254	-	190,483
TOTAL ASSETS.....	120,657,087	769,761	413,288
LIABILITIES			
Warrants payable.....	30,726	-	-
Liabilities due depositors.....	-	-	413,288
TOTAL LIABILITIES.....	30,726	-	413,288
NET POSITION			
Restricted for pensions.....	119,656,025	-	-
Restricted for other postemployment benefits.....	970,336	-	-
Held in trust for other purposes.....	-	769,761	-
TOTAL NET POSITION.....	\$ 120,626,361	\$ 769,761	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Pension and Other Postemployment Benefit Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions for pension benefits.....	\$ 7,221,201	\$ -
Employer contributions for other postemployment benefit payments....	6,246,428	-
Member contributions.....	1,775,956	-
Transfers from other systems.....	421,410	-
3(8)c contributions from other systems.....	168,542	-
Workers compensation settlements.....	4,013	-
State COLA reimbursements.....	76,664	-
Member makeup payments and redeposits.....	52,762	-
Interest not refunded.....	735	-
Private donations.....	-	5,694
	<u>15,967,711</u>	<u>5,694</u>
Total contributions.....		
	<u>15,967,711</u>	<u>5,694</u>
Net investment income:		
Investment income.....	16,456,653	17,027
Less: investment expense.....	<u>(476,585)</u>	<u>-</u>
Net investment income (loss).....	<u>15,980,068</u>	<u>17,027</u>
	<u>15,980,068</u>	<u>17,027</u>
TOTAL ADDITIONS.....	<u>31,947,779</u>	<u>22,721</u>
DEDUCTIONS:		
Administration.....	296,634	-
Transfers to other systems.....	486,143	-
3(8)c transfer to other systems.....	265,775	-
Retirement benefits and refunds.....	8,515,840	-
Other postemployment benefit payments.....	6,246,428	-
Educational scholarships.....	-	40,388
	<u>15,810,820</u>	<u>40,388</u>
TOTAL DEDUCTIONS.....	<u>15,810,820</u>	<u>40,388</u>
NET INCREASE (DECREASE) IN NET POSITION.....	16,136,959	(17,667)
NET POSITION AT BEGINNING OF YEAR.....	<u>104,489,402</u>	<u>787,428</u>
NET POSITION AT END OF YEAR.....	<u>\$ 120,626,361</u>	<u>\$ 769,761</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation governed by a five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of the relationship between the Town and the component unit.

The Saugus Contributory Retirement System (System) was established to provide retirement benefits to Town employees, the Saugus Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 25R Main Street, Town Hall Annex, Saugus, Massachusetts 01906.

Joint Venture

The Town is a member of the Northeast Metropolitan Regional Vocational Technical School District that provides for the vocational education for the Town's students who are of high school age. The members share in the operations of the District and each member is responsible for its proportionate share of the operational and capital cost of the District, which are paid in the form of assessments. The Town does not have an equity interest in the District and the 2020 assessment was \$3,625,644.

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *school capital projects fund* accounts for, and reports, financial resources that are restricted, committed, or assigned to expenditure for capital outlays relative to the construction of a new middle and high school building complex and other school building construction and renovation activity.

The *town capital projects fund* account for, and reports financial resources, that are restricted, committed, or assigned to expenditure for capital outlays including acquisition or construction of governmental activities non-education capital purposes.

The nonmajor governmental funds typically consist of 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* account for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

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

The *permanent fund* accounts for, and reports 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 *water fund* accounts for water distribution operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *sewer fund* accounts for sewage treatment operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *cable fund* accounts for the Town's public access television operations.

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 *pension and other postemployment benefit trust funds* are used to account for the activities of the Saugus Contributory Retirement System along with the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. The Town's scholarship funds are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity such student activity funds, police and fire special detail pay, and various planning board deposits. Agency funds apply the accrual basis of accounting but do not have a measurement approach.

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.

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes

are due on August 1st, November 1st, February 1st and May 1st of each year 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 during the fourth quarter of every 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 of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

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.

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

Water

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

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

Sewer

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

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

Departmental and Other

Departmental and other receivables consist primarily of outstanding police detail and parking tickets receivables, and veterans benefits reimbursement and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

The Town has entered into a school construction grant program, which is administered by the Massachusetts School Building Authority (MSBA), which is an agency of the Commonwealth of Massachusetts. Under the terms of the program, the MSBA establishes a maximum reimbursement amount, stated as a percentage of total eligible construction costs, that the Town can expect to receive over the life of the grant. The Town receives grant reimbursements over time as construction costs are incurred subject to the Town submitting reimbursement requests to the MSBA.

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

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

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

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

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

Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	20 - 40
Machinery and equipment.....	5 - 10
Infrastructure.....	30 - 50

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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

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

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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.

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. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. 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:

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

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

“Grants and gifts” represents amounts held for school grants, highway and other grants, and gift funds.

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. For the Town, Town Meeting is the highest level of decision making authority that can, by adoption of a Town Meeting warrant article, vote to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment. The Town has not reporting any committed portions government funds fund balance.

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

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

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. 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 Saugus Contributory Retirement System (SCRS) 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.

N. 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.

O. Investment Income

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

Investment income earned by the water fund and the sewer fund is retained within the respective funds.

P. 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.

Q. 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.

R. Individual Fund Deficits

Within the nonmajor governmental funds there are deficits in the special revenue funds. These deficits will be funded with grants and other available funds in future years.

S. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (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.

The Retirement System participates, as a Participating member, in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, 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 PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 0.14 to 16.03 years.

MMDT maintains a cash portfolio and a short-term bond portfolio. The cash portfolio had a weighted average maturity of 57 days and the short term bond portfolio had a weighted average maturity of approximately 2.88 years. Credit ratings associated with the short-term bond portfolio ranged from BB to AAA. Approximately 67% of the total was rated AAA, approximately 16% of the total was rated A/AA and approximately 17% rated BBB/BB. The Town participates in the cash portfolio.

Custodial Credit Risk – Deposits - Town

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$7,974,322 and the bank balance totaled \$8,500,325. Of the bank balance, \$2,290,623 was covered by Federal Depository Insurance, \$5,316,422 was covered by the Depositors Insurance Fund, and \$893,280 was exposed to custodial credit risk because it was uninsured and uncollateralized.

It is the policy of the Town to maintain depository relationships with institutions that fully collateralize Town funds, beyond FDIC and DIF insurance, on deposit. The collateralization requirement is imposed based on the need for return on investment along with overall safety of Town cash. Depending on the cash requirements of the Town there may be a need to maintain depository balances that are above and beyond FDIC, DIF and collateral agreement coverage. In these instances, the Town's uncollateralized deposits may not exceed 5% of an institution's assets and no more than 10% of the Town's cash.

Custodial Credit Risk – Deposits – Retirement System

At December 31, 2019, carrying amount of deposits for the system totaled \$302,697 and the bank balance totaled \$313,032. All of the bank balance was covered by the Federal Depository Insurance and none of the funds were exposed to custodial risk.

The pension system does not maintain a policy that addresses the custodial credit risk of deposits.

Investments

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

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
Debt securities:				
U.S. Treasuries.....	\$ 2,930,796	\$ 1,353,161	\$ 1,577,635	\$ -
Government sponsored enterprises.....	3,237,529	-	2,897,002	340,527
Corporate bonds.....	5,505,804	1,096,137	4,409,667	-
Total debt securities.....	11,674,129	\$ 2,449,298	\$ 8,884,304	\$ 340,527
Other investments:				
Equity securities.....	2,057,403			
Repurchase agreement.....	975,290			
Fixed income mutual funds.....	340,381			
Money market mutual funds.....	746,022			
MMDT - Cash portfolio.....	57,094,284			
Total investments.....	\$ 72,887,509			

As of December 31, 2019, the Retirement System had the following investments:

<u>Investment Type</u>	<u>Fair value</u>
<u>Other investments:</u>	
Equity mutual funds.....	7,648,774
Fixed income mutual funds.....	9,828,590
Collective investment trust.....	16,247,542
Pension Reserve Investment Trust (PRIT).....	82,106,894
Total investments.....	\$ 115,831,800

Custodial Credit Risk – Investments - Town

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 total investments the Town has custodial credit risk exposure equal to its investments in government sponsored enterprises, corporate bonds, equity securities and fixed income mutual funds because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have a formal investment policy for custodial credit risk. Please refer to the chart above for further detail.

It is the policy of the Town to invest only in the Massachusetts Municipal Depository Trust (MMDT), United States Treasury Notes and United States Agency obligations. Trust Funds may be co-mingled and invested in any instruments allowed by the Legal List issued by the Banking Commission each July. Each trust fund must be accounted for separately with the appropriate investment income recorded.

As of June 30, 2020, the Town had an investment with a fair market value of \$975,290 in an overnight Repurchase Agreement (REPO). Under the terms of the REPO, the bank agrees to sell and buy back a portion of the Bank's securities portfolio at the purchase price plus interest. The REPO is held by the bank, acting as the Town's agent. In the event of default, the Town has the right to direct the bank to sell the securities and apply the proceeds in satisfaction of the Repurchase Agreement. The REPO is not in the Town's name; however, it is fully collateralized with Collateralized Debt Securities issued by the U.S. Government and U.S. Government Sponsored Enterprises. The REPO is not rated, and the collateral has a Standard & Poor's rating of AA+. The REPO is classified in Level 1 of the fair value hierarchy and is valued using prices quoted in active markets for those securities.

Credit Risk

The Town's credit risk policy limits investments to securities that allow for diversification of the investment portfolio while 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:

Quality Rating	U.S. Treasury Bonds	Government Sponsored Enterprises	Corporate Bonds
AAA.....	\$ 2,930,796	\$ -	\$ -
AA+.....	-	3,237,529	710,330
AA-.....	-	-	800,080
A+.....	-	-	709,838
A-.....	-	-	1,564,309
BBB+.....	-	-	1,096,137
BBB.....	-	-	625,110
Total.....	\$ 2,930,796	\$ 3,237,529	\$ 5,505,804

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

Custodial Credit Risk – Investments – Retirement System

At December 31, 2019, the System's investments \$115,831,800 are not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

Interest and Credit Rate Risk

Town policy dictates that funds may not be invested in fixed income securities of the United States government longer than one year from date of purchase.

The System has not adopted a formal policy related to credit risk. At December 31, 2019 the System does not have any rated investments.

Concentration of Credit Risk

Town policy dictates that, with the exception of MMDT and United States Treasuries or Agencies, no more than 10% of the Town's investments can be invested in a single issuer or financial institution.

The Town does not possess any investments that are subject to concentration of credit risk disclosures.

Fair Value of Investments

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

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

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

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. Treasuries.....	\$ 2,930,796	\$ 2,930,796	\$ -	\$ -
Government sponsored enterprises.....	3,237,529	3,237,529	-	-
Corporate bonds.....	5,505,804	-	5,505,804	-
Total debt securities.....	11,674,129	6,168,325	5,505,804	-
<u>Other investments:</u>				
Equity securities.....	2,057,403	2,057,403	-	-
Repurchase agreement.....	975,290	975,290	-	-
Fixed income.....	340,381	340,381	-	-
Money market mutual funds.....	746,022	746,022	-	-
Total other investments.....	4,119,096	4,119,096	-	-
Total investments measured at fair value.....	15,793,225	\$ 10,287,421	\$ 5,505,804	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	57,094,284			
Total investments.....	\$ 72,887,509			

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

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

Retirement System

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2019:

Investment Type	December 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Other investments:</u>				
Fixed income mutual fund.....	\$ 9,828,590	\$ 9,828,590	\$ -	\$ -
Equity mutual funds.....	7,648,774	7,648,774	-	-
Total investments measured at fair value.....	17,477,364	\$ 17,477,364	\$ -	\$ -
Investments measured at net asset value:				
Collective Investment Trust.....	16,247,542			
Pension Reserve Investment Trust (PRIT).....	82,106,894			
Total investments.....	\$ 115,831,800			

PRIT 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. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 - RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,395,510	\$ (408,476)	\$ 987,034
Tax liens.....	1,547,927	-	1,547,927
Motor vehicle and other excise taxes.....	831,027	(174,822)	656,205
Departmental and other.....	147,336	(12,048)	135,288
Intergovernmental.....	4,234,345	(13,289)	4,221,056
Total.....	\$ <u>8,156,145</u>	\$ <u>(608,635)</u>	\$ <u>7,547,510</u>

At June 30, 2020, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 4,109,313	\$ -	\$ 4,109,313
Sewer user charges.....	2,955,508	-	2,955,508
Total.....	\$ <u>7,064,821</u>	\$ <u>-</u>	\$ <u>7,064,821</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 577,072	\$ -	\$ 577,072
Tax liens.....	1,547,927	-	1,547,927
Motor vehicle and other excise taxes.....	656,205	-	656,205
Departmental and other.....	134,928	360	135,288
Intergovernmental - highway improvements...	-	788,808	788,808
Intergovernmental - other.....	265,084	-	265,084
Tax foreclosures.....	522,672	-	522,672
Total.....	\$ <u>3,703,888</u>	\$ <u>789,168</u>	\$ <u>4,493,056</u>

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,138,042	\$ -	\$ -	\$ 8,138,042
Construction in progress.....	64,029,041	4,668,238	(60,837,984)	7,859,295
Total capital assets not being depreciated....	72,167,083	4,668,238	(60,837,984)	15,997,337
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	73,524,470	132,512,013	-	206,036,483
Machinery and equipment.....	17,841,964	868,770	(1,887,534)	16,823,200
Infrastructure.....	39,766,273	468,035	(792,318)	39,441,990
Total capital assets being depreciated.....	131,132,707	133,848,818	(2,679,852)	262,301,673
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(36,446,829)	(1,520,398)	-	(37,967,227)
Machinery and equipment.....	(15,334,141)	(802,019)	1,887,534	(14,248,626)
Infrastructure.....	(27,174,708)	(617,330)	792,318	(26,999,720)
Total accumulated depreciation.....	(78,955,678)	(2,939,747)	2,679,852	(79,215,573)
Total capital assets being depreciated, net.....	52,177,029	130,909,071	-	183,086,100
Total governmental activities capital assets, net.....	\$ 124,344,112	\$ 135,577,309	\$ (60,837,984)	\$ 199,083,437
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 58,609	\$ -	\$ -	\$ 58,609
Construction in progress.....	-	1,326,922	-	1,326,922
Total capital assets not being depreciated....	58,609	1,326,922	-	1,385,531
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	1,694,777	-	(86,477)	1,608,300
Infrastructure.....	27,249,876	26,496	(2,440,918)	24,835,454
Total capital assets being depreciated.....	28,944,653	26,496	(2,527,395)	26,443,754
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(1,403,253)	(157,176)	86,477	(1,473,952)
Infrastructure.....	(9,102,131)	(466,747)	2,440,918	(7,127,960)
Total accumulated depreciation.....	(10,505,384)	(623,923)	2,527,395	(8,601,912)
Total capital assets being depreciated, net.....	18,439,269	(597,427)	-	17,841,842
Total water activities capital assets, net.....	\$ 18,497,878	\$ 729,495	\$ -	\$ 19,227,373

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,770	\$ -	\$ -	\$ 5,770
Construction in progress.....	5,969,435	1,538,624	(2,898,624)	4,609,435
Total capital assets not being depreciated....	5,975,205	1,538,624	(2,898,624)	4,615,205
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	128,960	-	-	128,960
Machinery and equipment.....	2,232,317	-	(45,693)	2,186,624
Infrastructure.....	39,394,658	2,959,630	(195,200)	42,159,088
Total capital assets being depreciated.....	41,755,935	2,959,630	(240,893)	44,474,672
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(74,217)	(6,451)	-	(80,668)
Machinery and equipment.....	(1,769,256)	(74,055)	45,693	(1,797,618)
Infrastructure.....	(14,882,242)	(1,062,101)	195,200	(15,749,143)
Total accumulated depreciation.....	(16,725,715)	(1,142,607)	240,893	(17,627,429)
Total capital assets being depreciated, net.....	25,030,220	1,817,023	-	26,847,243
Total sewer activities capital assets, net.....	\$ 31,005,425	\$ 3,355,647	\$ (2,898,624)	\$ 31,462,448
	Beginning Balance	Increases	Decreases	Ending Balance
Cable:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 275,000	\$ -	\$ 275,000

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

Governmental Activities:

General government.....	\$ 174,061
Public safety.....	281,012
Education.....	1,389,439
Public works.....	955,770
Health and human services.....	43,686
Culture and recreation.....	95,779
Total depreciation expense - governmental activities.....	\$ 2,939,747

Business-Type Activities:

Water.....	\$ 623,923
Sewer.....	1,142,607
Total depreciation expense - business-type activities.....	\$ 1,766,530

NOTE 5 - INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:					Total
	Town Capital projects	Nonmajor governmental funds	Sewer Enterprise fund	Cable Enterprise fund		
General fund.....	\$ 6,589	\$ 35,000	\$ -	\$ -	\$	41,589 (1)
Nonmajor governmental funds.....	-	-	731,587	1,776,559		2,508,146 (2)
Total.....	\$ <u>6,589</u>	\$ <u>35,000</u>	\$ <u>731,587</u>	\$ <u>1,776,559</u>	\$	<u>2,549,735</u>

(1) Represents Town Meeting authorization to transfer funds from the General Fund to the Town Capital project fund and other non-major governmental funds to meet grant matching requirements.

(2) Represents transfers from the non-major governmental funds to establish the Cable Enterprise Fund and to repurpose developer fees originally designated for governmental activities public works purposes.

NOTE 6 - SHORT-TERM FINANCING

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

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

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.

The Town's short-term debt activity as of June 30, 2020, is presented as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
Governmental Funds:							
BAN	Highland Avenue Sidewalk.....	2.75%	09/20/19	\$ 310,000	\$ -	\$ (310,000)	\$ -
BAN	Departmental Equipment.....	3.00%	12/04/20	-	820,000	(646,775)	173,225
BAN	HVAC Town Hall & Public Safety.	3.00%	12/04/20	-	177,255	(177,225)	30
BAN	Streetlight Retrofit.....	3.00%	12/04/20	-	438,000	(126,000)	312,000
BAN	Park and Playgrounds.....	3.00%	12/04/20	-	500,000	(500,000)	-
Total Governmental Funds.....				\$ <u>310,000</u>	\$ <u>1,935,255</u>	\$ <u>(1,760,000)</u>	\$ <u>485,255</u>

On November 19, 2020, the Town issued long term debt of totaling \$14.9 million. A portion of the debt issuance was used to convert \$1.45 million of BANS existing at June 30, 2020 to long-term debt. The conversion of BANS to long term debt has been recognized in these financial statements accordingly. The remaining BANS outstanding were paid down, using available funds, at maturity.

NOTE 7 - LONG-TERM DEBT

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

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

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
General Obligation Bonds of 2003.....	2023	\$ 17,760,000	4.10	\$ 325,000
Municipal Purpose Bonds of 2011.....	2031	2,953,000	3.40	990,000
Municipal Purpose Bonds of 2014.....	2034	11,857,000	3.82	8,620,000
Municipal Purpose Bonds of 2016.....	2031	4,407,116	3.50	3,045,000
Municipal Purpose Bonds of 2017.....	2037	1,588,900	2.00-4.00	1,365,000
Municipal Purpose Bonds of 2018.....	2048	64,580,500	3.00-5.00	62,150,000
Municipal Purpose Bonds of 2019.....	2040	2,107,000	3.00-5.00	2,107,000
Municipal Purpose Bonds of 2020	2050	40,459,000	3.00-5.00	40,459,000
Total Bonds Payable.....				119,061,000
Add: Unamortized premium on bonds.....				5,211,639
Total Bonds Payable, net.....				<u>\$ 124,272,639</u>

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

Year	Principal	Interest	Total
2021.....	\$ 3,081,000	\$ 5,213,448	\$ 8,294,448
2022.....	3,980,000	4,405,821	8,385,821
2023.....	3,900,000	4,190,612	8,090,612
2024.....	3,920,000	4,001,002	7,921,002
2025.....	3,830,000	3,814,625	7,644,625
2026.....	3,775,000	3,631,800	7,406,800
2027.....	3,925,000	3,451,400	7,376,400
2028.....	4,020,000	3,264,850	7,284,850
2029.....	3,985,000	3,077,752	7,062,752
2030.....	4,000,000	2,928,333	6,928,333
2031.....	4,060,000	2,782,641	6,842,641
2032.....	4,080,000	2,628,148	6,708,148
2033.....	4,120,000	2,477,432	6,597,432
2034.....	4,200,000	2,333,266	6,533,266
2035.....	3,605,000	2,202,503	5,807,503
2036.....	3,675,000	2,084,072	5,759,072
2037.....	3,797,500	1,962,228	5,759,728
2038.....	3,887,500	1,833,889	5,721,389
2039.....	3,980,000	1,693,599	5,673,599
2040.....	4,125,000	1,548,874	5,673,874
2041.....	4,250,000	1,399,176	5,649,176
2042.....	4,405,000	1,244,226	5,649,226
2043.....	4,560,000	1,083,651	5,643,651
2044.....	4,710,000	931,675	5,641,675
2045.....	4,870,000	774,624	5,644,624
2046.....	5,030,000	612,324	5,642,324
2047.....	5,295,000	444,601	5,739,601
2048.....	5,375,000	271,226	5,646,226
2049.....	2,005,000	92,025	2,097,025
2050.....	2,065,000	30,975	2,095,975
Total.....	\$ <u>120,511,000</u>	\$ <u>66,410,801</u>	\$ <u>186,921,801</u>

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Water Enterprise Fund:				
General Obligation Bonds Payable:				
General Obligation Bonds of 2011.....	2031	\$ 940,000	3.80	\$ 495,000
General Obligation Bonds of 2015.....	2034	2,100,000	3.82	1,695,000
General Obligation Bonds of 2016.....	2036	460,000	3.63	340,000
General Obligation Bonds of 2017.....	2029	240,100	2.00-4.00	210,000
General Obligation Bonds of 2019.....	2040	1,510,000	3.00-5.00	1,510,000
Subtotal General Obligation Bonds Payable.....				4,250,000
Direct Borrowings Payable:				
MWRA.....	2023	14,309,642	0.00	4,729,551
Add: Unamortized premium on bonds.....				216,331
Total.....				\$ 9,195,882
Sewer Enterprise Fund:				
General Obligation Bonds Payable:				
General Obligation Bonds of 2011.....	2031	3,550,000	3.80	1,190,000
General Obligation Bonds of 2015.....	2034	780,000	3.82	630,000
General Obligation Bonds of 2016.....	2031	2,267,000	2.95	1,350,000
General Obligation Bonds of 2017.....	2038	921,000	2.00-4.00	820,000
General Obligation Bonds of 2018.....	2038	1,164,500	3.00-5.00	1,040,000
General Obligation Bonds of 2019.....	2038	5,585,729	2.00-5.00	1,659,000
Sub-total General Obligation Bonds Payable.....				6,689,000
Direct Borrowings Payable:				
MCWT.....	2033	3,550,000	2.00	15,042,013
Add: Unamortized premium on bonds.....				356,244
Total.....				\$ 22,087,257

The MWRA has provided grants to subsidize 100% of the interest expense on the debt outstanding. The Town has estimated the current year subsidy to be approximately \$42,000. This amount has been reported as an intergovernmental revenue and interest expense. Debt service requirements for principal and interest for the enterprise fund bonds payable in future years as presented on the following page:

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2021.....	\$ 834,000	\$ 500,118	\$ 1,334,118
2022.....	830,000	395,930	1,225,930
2023.....	780,000	359,027	1,139,027
2024.....	785,000	322,999	1,107,999
2025.....	680,000	289,770	969,770
2026.....	680,000	258,087	938,087
2027.....	675,000	230,407	905,407
2028.....	650,000	201,427	851,427
2029.....	655,000	174,100	829,100
2030.....	660,000	148,513	808,513
2031.....	660,000	122,948	782,948
2032.....	520,000	97,855	617,855
2033.....	525,000	78,783	603,783
2034.....	535,000	59,396	594,396
2035.....	320,000	44,529	364,529
2036.....	320,000	34,404	354,404
2037.....	317,500	24,276	341,776
2038.....	242,500	15,074	257,574
2039.....	135,000	7,320	142,320
2040.....	135,000	2,440	137,440
Total.....	\$ 10,939,000	\$ 3,367,403	\$ 14,306,403

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2021.....	\$ 1,711,443	\$ 260,500	\$ 1,971,943
2022.....	1,731,250	243,161	1,974,411
2023.....	1,663,299	225,483	1,888,782
2024.....	1,584,125	207,446	1,791,571
2025.....	1,528,374	189,042	1,717,416
2026.....	1,439,113	170,277	1,609,390
2027.....	1,439,170	151,127	1,590,297
2028.....	1,410,343	132,106	1,542,449
2029.....	1,354,634	113,510	1,468,144
2030.....	1,157,485	97,020	1,254,505
2031.....	887,796	82,386	970,182
2032.....	781,630	68,805	850,435
2033.....	797,715	56,302	854,017
2034.....	509,914	43,543	553,457
2035.....	520,094	33,307	553,401
2036.....	417,882	22,863	440,745
2037.....	327,821	14,465	342,286
2038.....	231,929	7,870	239,799
2039.....	236,068	3,191	239,259
2040.....	41,479	415	41,894
	\$ 19,771,564	\$ 2,122,819	\$ 21,894,383

Authorized and Unissued Debt

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

Purpose	Amount
Departmental Equipment.....	\$ 106,970
Sewer Capital Improvements.....	4,025,978
School Construction.....	77,628,460
MWRA Local Pipeline Assistance....	1,448,606
Lincoln Ave Pump Station.....	1,170,000
Total.....	\$ <u>84,380,014</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds Issued	Bonds Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 81,287,000	\$ 41,909,000	\$ (2,685,000)	\$ -	\$ -	\$ 120,511,000	\$ 3,081,000
Add: Unamortized premium on bonds.....	2,309,336	3,074,000	(171,697)	-	-	5,211,639	463,953
Total bonds payable.....	83,596,336	44,983,000	(2,856,697)	-	-	125,722,639	3,544,953
Landfill closure.....	360,000	-	-	-	(20,000)	340,000	20,000
Compensated absences.....	4,561,000	-	-	905,000	(926,000)	4,540,000	1,150,000
Net pension liability.....	32,730,545	-	-	315,065	(11,204,431)	21,841,179	-
Other postemployment benefits.....	181,578,835	-	-	6,259,157	(42,772,458)	145,065,534	-
Total governmental activity long-term liabilities.....	\$ <u>302,826,716</u>	\$ <u>44,983,000</u>	\$ <u>(2,856,697)</u>	\$ <u>7,479,222</u>	\$ <u>(54,922,889)</u>	\$ <u>297,509,352</u>	\$ <u>4,714,953</u>
Business-Type Activities:							
Long-term bonds payable.....	\$ 29,602,207	\$ 3,097,940	\$ (1,989,583)	\$ -	\$ -	\$ 30,710,564	\$ 2,545,443
Add: Unamortized premium on bonds.....	605,157	-	(32,582)	-	-	572,575	87,009
Total bonds payable.....	30,207,364	3,097,940	(2,022,165)	-	-	31,283,139	2,632,452
Compensated absences.....	354,000	-	-	(32,000)	(61,000)	261,000	62,000
Net pension liability.....	880,455	-	-	(47,065)	(282,569)	550,821	-
Other postemployment benefits.....	1,135,830	-	-	39,559	(567,915)	607,474	-
Total business-type activity long-term liabilities.....	\$ <u>32,577,649</u>	\$ <u>3,097,940</u>	\$ <u>(2,022,165)</u>	\$ <u>(39,506)</u>	\$ <u>(911,484)</u>	\$ <u>32,702,434</u>	\$ <u>2,694,452</u>

The governmental activities long-term liabilities are generally liquidated by the general fund. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

At June 30, 2020, \$9,491,138 has been set aside in a general stabilization fund, \$165,345 has been set aside in a capital project stabilization fund, and \$347,098 has been set aside in a health stabilization fund. These funds are classified as part of the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization funds on an as needed basis. The number of and exact purpose of the stabilization funds of the Town are dependent upon authorization

and approval of Town Meeting. The balance of the stabilization funds can be used for general and/or capital purposes upon approval of Town Meeting. Additions to the fund can only be made upon Town Meeting approval. The Town classifies fund balances according to the constraints imposed on the use of the resources. There are two major types of fund balances: 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. The Town's highest level of decision making authority is the Annual Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2020, the governmental fund balances consisted of the following:

	General	Middle and High School Capital Projects	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 1,344,919	\$ 1,344,919
Restricted for:					
Middle and High School Capital Projects.....	-	27,381,108	-	-	27,381,108
Town Capital Projects.....	-	-	2,859,944	-	2,859,944
Town federal grant funds.....	-	-	-	574,949	574,949
Town other funds.....	-	-	-	2,150,075	2,150,075
School gift funds.....	-	-	-	18,522	18,522
School federal grant funds.....	-	-	-	1,351,253	1,351,253
School revolving.....	-	-	-	467,756	467,756
School other funds.....	-	-	-	365,649	365,649
Expendable permanent funds.....	-	-	-	196,873	196,873
Assigned to:					
Encumbrances:					
General government.....	139,485	-	-	-	139,485
Public safety.....	48,964	-	-	-	48,964
Education.....	1,410,930	-	-	-	1,410,930
Public works.....	324,581	-	-	-	324,581
Trash and recycling.....	170,861	-	-	-	170,861
Culture and recreation.....	42,449	-	-	-	42,449
Employee benefits.....	83,395	-	-	-	83,395
Unassigned.....	14,597,720	-	-	(238,005)	14,359,715
Total Fund Balances.....	\$ 16,818,385	\$ 27,381,108	\$ 2,859,944	\$ 6,231,991	\$ 53,291,428

NOTE 9 - RISK FINANCING

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

The Town participates in a premium-based health care plan for its employees. The plan is a health care risk pool and is administered by the Massachusetts Inter-local Insurance Association (Association). The Association was created to establish cost stability for its members with each participant being charged a premium for coverage based on rates established by the Association. The Town is obligated to pay the Association the required premiums as well as a pro-rata share of any Association deficit should the Association terminate operations.

At June 30, 2020, the Town did not have any significant workers' compensation claims pending under the self-insurance program.

NOTE 10 - PENSION PLAN*Plan Descriptions*

The Town is a member of the Saugus Contributory Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 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 is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

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 \$8,196,495 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$67,590,286 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 funded by the System.

At December 31, 2019, the System's membership consists of the following:

Active members.....	347
Inactive members.....	83
Retirees and beneficiaries currently receiving benefits.....	<u>293</u>
Total.....	<u><u>723</u></u>

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 SCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2019 was an actuarially determined amount of approximately \$7,169,000. This amount 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 total member unit's contribution is equal to 39.08% of covered payroll. The Town's proportionate share of the required contribution was \$6,955,000 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2020 were as follows:

Total pension liability.....	\$	142,736,000
Total pension plan's fiduciary net position.....		<u>(119,656,000)</u>
Total net pension liability.....	\$	<u><u>23,080,000</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		83.83%

At June 30, 2020, the Town reported a liability of \$22,392,000 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, 2019. Accordingly, update procedures were used to roll the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportion was 97.02%, which is 0.07% lower than the proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the Town recognized pension expense of \$5,164,000. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to pensions of \$3,551,000 and \$4,534,000, respectively, from changes in assumptions, changes in experience, and the net differences between projected and actual investment earnings on pension plan investments.

The balances of the deferred outflows and inflows at June 30, 2020 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (848,000)	\$ (848,000)
Difference between projected and actual earnings.....	-	(3,664,000)	(3,664,000)
Changes in assumptions.....	3,480,000	-	3,480,000
Changes in proportion and proportionate share of contributions...	71,000	(22,000)	49,000
Total deferred outflows/(inflows) of resources.....	\$ <u>3,551,000</u>	\$ <u>(4,534,000)</u>	\$ <u>(983,000)</u>

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

<u>Year ended June 30:</u>	
2021.....	\$ 6,000
2022.....	(587,000)
2023.....	978,000
2024.....	<u>(1,380,000)</u>
Total.....	\$ <u>(983,000)</u>

Actuarial Assumptions

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

Valuation date.....	January 1, 2019
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Total payments increase 5.2% per year until FY25 with a final amortization payment in FY26.
Remaining amortization period.....	6 years from July 1, 2020
Asset valuation method.....	Fair value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return.....	7.25%, net of pension plan investment expense, including inflation.
Discount rate.....	7.25%
Inflation rate.....	Not explicitly assumed.
Projected salary increases.....	Select and ultimate by job group; ultimate rate 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments.....	3% of the first \$14,000
Mortality rates.....	Pre-retirement: RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post-retirement: RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). Disabled retirees: RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender district).

Investment policy

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

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

each major asset class included in the pension plan's target asset allocation as of January 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity		
Domestic equities.....	22.50%	7.62%
International equities.....	15.10%	7.80%
Emerging international equities.....	6.40%	9.31%
Core fixed income		
Core bonds.....	6.00%	4.37%
20+ year treasuries.....	4.70%	3.50%
TIPS.....	4.00%	4.00%
Value added fixed income.....	7.50%	7.58%
Private equity.....	11.00%	11.15%
Real estate.....	9.50%	6.59%
Timberland.....	3.50%	7.00%
Hedge fund and portfolio completion.....	9.20%	6.83%
Liquidating portfolios.....	0.10%	0.00%
Overlay.....	0.50%	0.00%
Total.....	<u>100.00%</u>	

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 16.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.25%. 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
The Town's proportionate share of the net pension liability.....	\$ 37,720,000	\$ 22,392,000	\$ 9,382,000
The System's total net pension liability.....	\$ 38,879,000	\$ 23,080,000	\$ 9,670,000

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Town of Saugus 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 health insurance plan, which covers both active and retired members, including teachers. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy - The contribution requirements of plan members and the Town are established and may be amended through collective bargaining. The required contribution is based on projected pay-as-you-go financing requirements. The Town contributes 75% of the cost of current-year premiums for eligible retired plan members and their spouses and may contribute amounts above the required premiums. Plan members receiving benefits contribute the remaining 25% of their premium costs. The cost of administering the plan is paid by the Town.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish and fund a postemployment benefit trust fund. During 2020, the Town contributed \$52,288 in excess of the pay-as-you-go required contribution to the Other Postemployment Benefit Fund. This fund is reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$970,336.

Investment policy – The OPEB plan’s 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 OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

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.

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year,

consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Components of OPEB Liability – The following table details the components of the Plan's OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$	146,643,344
Less: OPEB plan's fiduciary net position.....		<u>(970,336)</u>
Net OPEB liability.....	\$	<u>145,673,008</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		0.66%

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

Active members.....	562
Inactive members currently receiving benefits.....	<u>764</u>
Total.....	<u>1,326</u>

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020, to be in accordance with GASB Statement #75:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets.
Investment rate of return.....	6.72%, net of 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.....	5.00%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	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

Mortality rates:

Pre-Retirement.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Employment.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Retiree.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments was 3.43%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (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 4.47% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.97%. 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 Asset Allocation	Long-Term Expected Real Rate of Return
Large cap equities.....	20.00%	4.80%
Small/mid cap equities.....	10.00%	5.29%
International equity - developed market.....	10.00%	5.45%
International equity - emerging market.....	5.00%	6.42%
Domestic fixed income.....	25.00%	2.05%
International fixed income.....	10.00%	3.00%
Alternatives.....	20.00%	6.50%
Real estate.....	0.00%	6.25%
Total.....	100.00%	

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 183,601,441	\$ 886,776	\$ 182,714,665
Changes for the year:			
Service cost.....	3,274,611	-	3,274,611
Interest.....	5,972,779	-	5,972,779
Net investment income.....	-	31,272	(31,272)
Employer contributions to Trust.....	-	6,298,716	(6,298,716)
Benefit payments withdrawn from Trust.....	-	(6,246,428)	6,246,428
Differences between expected and actual experience...	(591,917)	-	(591,917)
Changes in assumptions and other inputs.....	(39,367,142)	-	(39,367,142)
Benefit payments excluding Implicit Cost.....	(4,849,775)	-	(4,849,775)
Implicit cost amount.....	(1,396,653)	-	(1,396,653)
Net change.....	(36,958,097)	83,560	(37,041,657)
Balances at June 30, 2020.....	\$ <u>146,643,344</u>	\$ <u>970,336</u>	\$ <u>145,673,008</u>

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

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability.....	\$ <u>167,136,432</u>	\$ <u>145,673,008</u>	\$ <u>128,336,565</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 4.5%, 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 (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB liability.....	\$ <u>126,841,853</u>	\$ <u>145,673,008</u>	\$ <u>169,275,808</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$3.6 million. At June 30, 2020, the Town reported deferred outflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 15,207,457	\$ (473,534)	\$ 14,733,923
Difference between projected and actual earnings.....	28,513	-	28,513
Changes in assumptions.....	-	(39,407,205)	(39,407,205)
Total deferred outflows/(inflows) of resources.....	\$ 15,235,970	\$ (39,880,739)	\$ (24,644,769)

Actuarially determined deferred outflows (inflows) of resources will be recognized in OPEB expense over the course of fiscal years 2021 through 2024 in accordance with the following schedule:

Measurement date year ended June 30:

2021.....	\$ (5,552,986)
2022.....	(5,552,986)
2023.....	(5,552,990)
2024.....	(7,985,807)
Total.....	\$ (24,644,769)

Discount Rate – The discount rate used to measure the Total OPEB liability was 5.00% as of June 30, 2020 and 3.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 2.66% as of June 30, 2020. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes of Assumptions – Discount rate is 5.00% previously 3.25%.

Changes in Plan Provisions – None.

NOTE 12 – FINANCIAL STATEMENTS FOR PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2019)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 302,697	\$ -	\$ 302,697
Investments:			
Investments in Pension Reserve Investment Trust.....	82,106,894	970,336	83,077,230
Collective investment trust.....	16,247,542	-	16,247,542
Equity mutual funds.....	7,648,774	-	7,648,774
Fixed income mutual funds.....	9,828,590	-	9,828,590
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	3,552,254	-	3,552,254
TOTAL ASSETS.....	119,686,751	970,336	120,657,087
LIABILITIES			
Warrants payable.....	30,726	-	30,726
NET POSITION			
Restricted for pensions.....	119,656,025	-	119,656,025
Restricted for other postemployment benefits.....	-	970,336	970,336
TOTAL NET POSITION.....	\$ 119,656,025	\$ 970,336	\$ 120,626,361

	Pension Trust Fund (as of December 31, 2019)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 7,168,913	\$ 52,288	\$ 7,221,201
Employer contributions for other postemployment benefit payments.....	-	6,246,428	6,246,428
Member contributions.....	1,775,956	-	1,775,956
Transfers from other systems.....	421,410	-	421,410
3(8)c contributions from other systems.....	168,542	-	168,542
Workers compensation settlements.....	4,013	-	4,013
State COLA reimbursements.....	76,664	-	76,664
Member makeup payments and redeposits.....	52,762	-	52,762
Interest not refunded.....	735	-	735
Total contributions.....	9,668,995	6,298,716	15,967,711
Net investment income:			
Investment income.....	16,425,381	31,272	16,456,653
Less: investment expense.....	(476,585)	-	(476,585)
Net investment income (loss).....	15,948,796	31,272	15,980,068
TOTAL ADDITIONS.....	25,617,791	6,329,988	31,947,779
DEDUCTIONS:			
Administration.....	296,634	-	296,634
Transfers to other systems.....	486,143	-	486,143
3(8)c transfer to other systems.....	265,775	-	265,775
Retirement benefits and refunds.....	8,515,840	-	8,515,840
Other postemployment benefit payments.....	-	6,246,428	6,246,428
TOTAL DEDUCTIONS.....	9,564,392	6,246,428	15,810,820
NET INCREASE (DECREASE) IN NET POSITION.....	16,053,399	83,560	16,136,959
NET POSITION AT BEGINNING OF YEAR.....	103,602,626	886,776	104,489,402
NET POSITION AT END OF YEAR.....	\$ 119,656,025	\$ 970,336	\$ 120,626,361

NOTE 13 – LANDFILL CLOSURE

State and federal laws and regulations required the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1973 and has recently completed the capping of the landfill.

The Town has recognized \$340,000 as the estimate of the landfill closure liability at June 30, 2020. This amount is based on estimates of what it would cost to perform all future closure and post closure care in 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 14 – COMMITMENTS

The Commonwealth of Massachusetts has approved school constructions assistance to the Town for the construction of the new middle and high school. The assistance program is administered by the Massachusetts School Building Authority (MSBA) and provides resources to fund school construction under a grant program. This is a reimbursement grant program based on a percentage of allowable costs incurred. The total project costs budgeted by the Town is \$186.4 million. Over the life of the project the Town expects to receive total grant funding in the amount of \$92.8 million based on total eligible reimbursable costs of \$160.7 million. This equates to a 57.72% reimbursement rate of eligible costs. Through the end of the current fiscal year the Town has expended approximately \$131.2 million and has received \$52.4 million in grant reimbursements. The project which is scheduled to be completed in fiscal year 2021.

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 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 other legal actions and claims are pending. 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 16 – COVID-19

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

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

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

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

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2021, which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

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

The following GASB pronouncements will be implemented in the future:

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

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

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 71,797,886	\$ 71,797,886	\$ 70,591,047	\$ -	\$ (1,206,839)
Tax liens.....	-	-	564,776	-	564,776
Motor vehicle and other excise taxes.....	4,504,000	4,504,000	4,172,084	-	(331,916)
Hotel/motel tax.....	820,000	820,000	576,710	-	(243,290)
Meals tax.....	1,100,000	1,100,000	962,899	-	(137,101)
Penalties and interest on taxes.....	280,000	280,000	220,749	-	(59,251)
Fees and rentals.....	745,000	745,000	564,479	-	(180,521)
Payments in lieu of taxes.....	70,900	70,900	72,484	-	1,584
Licenses and permits.....	1,215,000	1,215,000	1,057,351	-	(157,649)
Fines and forfeitures.....	175,000	175,000	265,720	-	90,720
Intergovernmental.....	10,839,633	10,839,633	11,027,298	-	187,665
Departmental and other.....	334,800	334,800	626,484	-	291,684
Investment income.....	1,265,000	1,265,000	1,069,546	-	(195,454)
TOTAL REVENUES.....	93,147,219	93,147,219	91,771,627	-	(1,375,592)
EXPENDITURES:					
Current:					
General government.....	3,970,524	3,903,353	2,998,767	139,485	765,101
Public safety.....	14,951,415	14,943,504	13,703,661	48,964	1,190,879
Education.....	33,694,560	33,728,167	32,230,698	1,410,930	86,539
Public works.....	4,338,628	4,668,125	3,513,850	324,581	829,694
Trash removal and recycling.....	2,300,327	2,300,527	1,959,495	170,861	170,171
Health and human services.....	916,023	916,873	676,592	-	240,281
Culture and recreation.....	1,184,458	1,186,607	1,086,488	42,449	57,670
Pension benefits.....	6,951,113	6,951,113	6,951,113	-	-
Property and liability insurance.....	817,055	892,055	802,500	-	89,555
Employee benefits.....	15,975,527	16,067,964	15,492,201	83,395	492,368
State and county charges.....	4,298,378	4,298,378	4,533,866	-	(235,488)
Debt service:					
Principal.....	2,685,000	2,685,000	2,685,000	-	-
Interest.....	3,168,913	3,168,913	3,161,122	-	7,791
TOTAL EXPENDITURES.....	95,251,921	95,710,579	89,795,353	2,220,665	3,694,561
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,104,702)	(2,563,360)	1,976,274	(2,220,665)	2,318,969
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves to fund carryforwards.....	931,232	931,232	-	-	(931,232)
Use of free cash.....	-	500,247	-	-	(500,247)
Transfers in.....	1,173,470	1,173,470	1,173,470	-	-
Transfers out.....	-	(41,589)	(41,589)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,104,702	2,563,360	1,131,881	-	(1,431,479)
NET CHANGE IN FUND BALANCE.....	-	-	3,108,155	(2,220,665)	887,490
BUDGETARY FUND BALANCE, Beginning of year.....	4,648,920	4,648,920	4,648,920	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 4,648,920	\$ 4,648,920	\$ 7,757,075	\$ (2,220,665)	\$ 887,490

See notes to required supplementary information.

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information about the net pension liability and related ratios.

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

The Pension Plan's Schedule of Investment Return presents multi-year trend information about the money-weighted investment return on retirement 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 NET PENSION LIABILITY
AND RELATED RATIOS
SAUGUS CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Total pension liability:						
Service cost.....	\$ 2,254,000	\$ 2,655,000	\$ 2,814,000	\$ 2,909,000	\$ 3,014,000	\$ 3,103,000
Interest.....	8,349,000	8,483,000	9,063,000	9,251,000	9,568,000	9,937,000
Changes in benefit terms.....	-	-	1,288,000	-	-	-
Differences between expected and actual experience.....	-	(593,000)	(2,268,000)	-	(247,000)	-
Changes in assumptions.....	-	4,800,000	2,466,000	-	3,610,000	-
Benefit payments.....	(7,092,000)	(7,213,000)	(7,414,000)	(7,979,000)	(8,013,000)	(8,526,000)
Net change in total pension liability.....	3,511,000	8,132,000	5,949,000	4,181,000	7,932,000	4,514,000
Total pension liability - beginning.....	108,517,000	112,028,000	120,160,000	126,109,000	130,290,000	138,222,000
Total pension liability - ending (a).....	\$ 112,028,000	\$ 120,160,000	\$ 126,109,000	\$ 130,290,000	\$ 138,222,000	\$ 142,736,000
Plan fiduciary net position:						
Employer contributions.....	\$ 5,249,000	\$ 5,669,000	\$ 6,123,000	\$ 6,692,000	\$ 6,926,000	\$ 7,169,000
Employer contributions - payroll deductions.....	1,610,000	1,648,000	1,698,000	1,868,000	1,821,000	1,776,000
Employer contributions - transfers from other systems.....	208,000	169,000	135,000	218,000	94,000	421,000
Member make-up and redeposits.....	73,000	20,000	55,000	29,000	3,000	53,000
Retirement benefits- 3(8)c contributions from other systems.....	180,000	198,000	200,000	200,000	198,000	169,000
Net investment income (loss).....	5,740,000	547,000	6,140,000	14,953,000	(2,307,000)	16,040,000
Administrative expenses.....	(143,000)	(170,000)	(160,000)	(210,000)	(256,000)	(297,000)
Member contributions - transfers to other systems.....	(236,000)	(602,000)	(257,000)	(159,000)	(279,000)	(486,000)
Member contributions - 3(8)c payments to other systems.....	(143,000)	(158,000)	(159,000)	(174,000)	(257,000)	(266,000)
Retirement benefits and refunds.....	(7,092,000)	(7,213,000)	(7,414,000)	(7,979,000)	(8,013,000)	(8,526,000)
Net increase (decrease) in fiduciary net position.....	5,446,000	108,000	6,361,000	15,438,000	(2,070,000)	16,053,000
Fiduciary net position - beginning of year.....	78,320,000	83,766,000	83,874,000	90,235,000	105,673,000	103,603,000
Fiduciary net position - end of year (b).....	\$ 83,766,000	\$ 83,874,000	\$ 90,235,000	\$ 105,673,000	\$ 103,603,000	\$ 119,656,000
Net pension liability - ending (a)-(b).....	\$ 28,262,000	\$ 36,286,000	\$ 35,874,000	\$ 24,617,000	\$ 34,619,000	\$ 23,080,000
Plan fiduciary net position as a percentage of the total pension liability.....	74.77%	69.80%	71.55%	81.11%	74.95%	83.83%
Covered payroll.....	\$ 14,541,000	\$ 17,092,000	\$ 17,092,000	\$ 17,516,000	\$ 18,346,000	\$ 18,346,000
Net pension liability as a percentage of covered payroll.....	194.36%	212.30%	209.89%	140.54%	188.70%	125.80%

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 CONTRIBUTIONS
SAUGUS CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2019.....	\$ 7,169,000	\$ (7,169,000)	\$ -	\$ 18,346,000	39.08%
December 31, 2018.....	\$ 6,926,000	\$ (6,926,000)	\$ -	\$ 18,346,000	37.75%
December 31, 2017.....	\$ 6,692,000	\$ (6,692,000)	\$ -	\$ 17,516,000	38.21%
December 31, 2016.....	\$ 6,123,000	\$ (6,123,000)	\$ -	\$ 17,092,000	35.82%
December 31, 2015.....	\$ 5,669,000	\$ (5,669,000)	\$ -	\$ 17,092,000	33.17%
December 31, 2014.....	\$ 5,249,000	\$ (5,249,000)	\$ -	\$ 14,541,000	36.10%

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
SAUGUS CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2019.....	16.14%
December 31, 2018.....	-2.30%
December 31, 2017.....	17.14%
December 31, 2016.....	7.58%
December 31, 2015.....	0.68%
December 31, 2014.....	7.62%

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.

Pension Plan Schedules – Town

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

The Schedule of Contributions presents multi-year trend information about 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
SAUGUS CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	97.02%	\$ 22,392,000	\$ 17,799,000	125.80%	83.83%
December 31, 2018.....	97.09%	\$ 33,611,000	\$ 17,812,000	188.70%	74.95%
December 31, 2017.....	96.89%	\$ 23,852,151	\$ 16,971,779	140.54%	81.11%
December 31, 2016.....	96.94%	\$ 34,775,458	\$ 16,568,605	209.89%	71.55%
December 31, 2015.....	96.94%	\$ 35,145,580	\$ 16,554,822	212.30%	69.80%
December 31, 2014.....	96.50%	\$ 27,272,383	\$ 14,035,695	194.31%	74.77%

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
SAUGUS CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 6,955,000	\$ (6,955,000)	\$ -	\$ 18,154,980	38.31%
June 30, 2019.....	\$ 6,725,000	\$ (6,725,000)	\$ -	\$ 18,168,240	37.02%
June 30, 2018.....	\$ 6,484,329	\$ (6,484,329)	\$ -	\$ 17,311,215	37.46%
June 30, 2017.....	\$ 5,935,500	\$ (5,935,500)	\$ -	\$ 16,899,977	35.12%
June 30, 2016.....	\$ 5,490,831	\$ (5,490,831)	\$ -	\$ 16,885,918	32.52%
June 30, 2015.....	\$ 5,065,202	\$ (5,065,202)	\$ -	\$ 14,316,409	35.38%

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

See notes to required supplementary information.

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

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

Year		Commonwealth's 100% Share of the Associated Net Pension Liability		Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$	67,590,286	\$	8,196,495	53.95%
2019.....	\$	63,929,649	\$	6,478,344	54.84%
2018.....	\$	64,460,878	\$	6,727,970	54.25%
2017.....	\$	64,967,765	\$	6,627,138	52.73%
2016.....	\$	59,689,320	\$	4,841,335	55.38%
2015.....	\$	46,517,370	\$	3,231,785	61.64%

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

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules – Plan and Employer Reporting

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 - PLAN FINANCIAL REPORTING**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 5,867,367	\$ 5,307,475	\$ 5,091,711	\$ 3,274,611
Interest.....	5,732,988	6,404,564	6,306,510	5,972,779
Differences between expected and actual experience....	-	(342,227)	25,345,763	(591,917)
Changes of assumptions.....	-	(7,270,633)	(13,189,151)	(39,367,142)
Benefit payments.....	<u>(4,920,322)</u>	<u>(5,088,707)</u>	<u>(6,015,181)</u>	<u>(6,246,428)</u>
Net change in total OPEB liability.....	6,680,033	(989,528)	17,539,652	(36,958,097)
Total OPEB liability - beginning.....	<u>160,371,284</u>	<u>167,051,317</u>	<u>166,061,789</u>	<u>183,601,441</u>
Total OPEB liability - ending (a).....	<u>\$ 167,051,317</u>	<u>\$ 166,061,789</u>	<u>\$ 183,601,441</u>	<u>\$ 146,643,344</u>
Plan fiduciary net position				
Employer contributions.....	\$ 238,000	\$ 243,000	\$ 200,765	\$ 52,288
Employer contributions for OPEB payments.....	4,920,322	5,088,707	6,015,181	6,246,428
Net investment income.....	4,873	4,567	42,426	31,272
Benefit payments.....	<u>(4,920,322)</u>	<u>(5,088,707)</u>	<u>(6,015,181)</u>	<u>(6,246,428)</u>
Net change in plan fiduciary net position.....	242,873	247,567	243,191	83,560
Plan fiduciary net position - beginning of year.....	<u>153,145</u>	<u>396,018</u>	<u>643,585</u>	<u>886,776</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 396,018</u>	<u>\$ 643,585</u>	<u>\$ 886,776</u>	<u>\$ 970,336</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 166,655,299</u>	<u>\$ 165,418,204</u>	<u>\$ 182,714,665</u>	<u>\$ 145,673,008</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.24%	0.39%	0.48%	0.66%
Covered-employee payroll.....	\$ 33,363,113	\$ 34,364,006	\$ 36,186,656	\$ 37,272,256
Net OPEB liability as a percentage of covered-employee payroll.....	499.52%	481.37%	504.92%	390.83%

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 - PLAN FINANCIAL REPORTING

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2020.....	\$ 12,299,600	\$ (6,298,716)	\$ 6,000,884	\$ 37,272,256	16.90%
June 30, 2019.....	\$ 14,414,444	\$ (6,215,946)	\$ 8,198,498	\$ 36,186,656	17.18%
June 30, 2018.....	\$ 14,665,661	\$ (5,331,707)	\$ 9,333,954	\$ 34,364,006	15.52%
June 30, 2017.....	\$ 14,622,218	\$ (5,158,322)	\$ 9,463,896	\$ 33,363,113	15.46%

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 - PLAN FINANCIAL REPORTING

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2020.....	3.43%
June 30, 2019.....	6.35%
June 30, 2018.....	0.88%
June 30, 2017.....	2.65%

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

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

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

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

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

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The initial budgeted of \$95.3 million, inclusive of \$931,000 carried in from the prior fiscal year, was supplemented during the fiscal year. The final amended budget of \$95.8 million includes supplemental appropriations of \$500,000 that were funded by a like amount of free cash. The supplemental appropriations affected all functions.

The Town Accountant's Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town's accounting system.

B. Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$	3,108,155
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP		226,497
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(295,130)
Net change in recording 60 day receipts.....		208,391
Recognition of revenue for on-behalf payments.....		8,196,495
Recognition of expenditures for on-behalf payments.....		(8,196,495)
Net change in fund balance - GAAP basis.....	\$	<u>3,247,913</u>

C. Appropriation Deficits

Actual state and county charges expenditures exceeded of appropriations by \$235,488 due to higher than expected charter school tuition costs. This budgetary deficit will be funded in 2021 through the tax rate.

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System***A. Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total 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 total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules – TownA. 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 Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July

at a discounted rate. Accordingly, actual contributions may be less than the “total appropriation”. The pension fund appropriation is allocated to the Town based on covered payroll.

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

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

There were no changes in assumptions.

E. Changes in Plan Provisions:

There were no changes in provisions.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town of Saugus 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 health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan – Plan Financial Reporting

Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

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

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-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 on the following page:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Fair value of assets.
Investment rate of return.....	6.72%, net of 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.....	5.00%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	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
Mortality rates:	
Pre-Retirement.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Employment.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Retiree.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Schedule of Investment Returns

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

Changes of Assumptions and Provisions

Discount rate is 5.00%, previously 3.25%.