



TOWN OF SUTTON, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Sutton, 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 Sutton, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's 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.

Auditors' 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 auditors' 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

Merrimack, New Hampshire
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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 Sutton, Massachusetts, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and certain Pension and OPEB schedules 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 evidence sufficient 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 January 19, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant



agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town's internal control over financial reporting and compliance.

Andover, Massachusetts
January 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Sutton, Massachusetts (the Town) we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for Sewer and Transfer Station operations, of which Sewer is considered a major fund.

Fiduciary Funds

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

Notes to 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.

Required Supplementary Information (Other Than MD&A)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in the governmental activities was \$24,460,124, a change of \$(3,868,304), and net position in business-type activities was \$6,395,482, a change of \$498,239.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,665,126, a change of \$1,028,090 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,479,955, a change of \$666,948 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	NET POSITION (in thousands)					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u></u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 16,696	\$ 14,672	\$ 1,801	\$ 1,593	\$ 18,497	\$ 16,265
Capital assets	<u>94,249</u>	<u>94,437</u>	<u>7,377</u>	<u>7,685</u>	<u>101,626</u>	<u>102,122</u>
Total assets	110,945	109,109	9,178	9,278	120,123	118,387
Deferred outflows of resources	22,793	11,270	157	71	22,950	11,341
Current liabilities	6,221	3,655	559	2,840	6,780	89,712
Noncurrent liabilities	<u>100,182</u>	<u>86,872</u>	<u>2,367</u>	<u>607</u>	<u>102,549</u>	<u>4,262</u>
Total liabilities	106,403	90,527	2,926	3,447	109,329	93,974
Deferred inflows of resources	2,874	1,524	14	5	2,888	1,529
Net investment in capital assets	67,559	64,808	4,813	4,662	72,372	69,470
Restricted	3,939	3,381	-	-	3,939	3,381
Unrestricted	<u>(47,038)</u>	<u>(39,861)</u>	<u>1,582</u>	<u>1,235</u>	<u>(45,456)</u>	<u>(38,626)</u>
Total net position	\$ <u>24,460</u>	\$ <u>28,328</u>	\$ <u>6,395</u>	\$ <u>5,897</u>	\$ <u>30,855</u>	\$ <u>34,225</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$30,855,606, a change of \$(3,370,065) in comparison to the prior year.

The largest portion of net position \$72,372,083 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,939,228, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(45,455,705) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,104	\$ 2,496	\$ 1,029	\$ 1,061	\$ 3,133	\$ 3,557
Operating grants and contributions	11,834	10,837	295	83	12,129	10,920
Capital grants and contributions	601	392	-	-	601	392
General revenues:						
Property taxes	24,951	24,337	-	-	24,951	24,337
Excises	1,859	1,847	-	-	1,859	1,847
Penalties and interest on taxes	86	99	-	-	86	99
Grants and contributions not restricted to specific programs	1,045	932	3	3	1,048	935
Investment income	263	308	-	1	263	309
Other	<u>149</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>149</u>	<u>100</u>
Total revenues	<u>42,892</u>	<u>41,348</u>	<u>1,327</u>	<u>1,148</u>	<u>44,219</u>	<u>42,496</u>
Expenses:						
General government	2,809	2,691	-	-	2,809	2,691
Public safety	4,545	3,858	-	-	4,545	3,858
Education	34,873	32,445	-	-	34,873	32,445
Public works	1,635	1,069	-	-	1,635	1,069
Human services	682	549	-	-	682	549
Culture and recreation	379	306	-	-	379	306
Interest on long-term debt	947	1,028	-	-	947	1,028
Miscellaneous	386	396	-	-	386	396
Sewer services	-	-	1,144	1,323	1,144	1,323
Nonmajor transfer station services	<u>-</u>	<u>-</u>	<u>188</u>	<u>165</u>	<u>188</u>	<u>165</u>
Total expenses	<u>46,256</u>	<u>42,342</u>	<u>1,332</u>	<u>1,488</u>	<u>47,588</u>	<u>43,830</u>
Change in net position before transfers	(3,364)	(994)	(5)	(340)	(3,369)	(1,334)
Transfers in (out)	<u>(504)</u>	<u>(506)</u>	<u>504</u>	<u>506</u>	<u>-</u>	<u>-</u>
Change in net position	(3,868)	(1,500)	499	166	(3,369)	(1,334)
Net position - beginning of year	<u>28,328</u>	<u>29,828</u>	<u>5,897</u>	<u>5,731</u>	<u>34,225</u>	<u>35,559</u>
Net position - end of year	\$ <u>24,460</u>	\$ <u>28,328</u>	\$ <u>6,396</u>	\$ <u>5,897</u>	\$ <u>30,856</u>	\$ <u>34,225</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(3,868,304). Key elements of this change are as follows:

General Fund operating results, other than note issuance	\$ (34,559)
Non-bonded capital asset acquisitions	2,888,049
Depreciation expense in excess of principal debt service	(1,649,833)
Change in other post employment benefits liability and related deferred outflows/inflows	(4,699,423)
Change in net pension liability and related deferred outflows/inflows	(763,854)
Other	<u>391,316</u>
Total	<u>\$ (3,868,304)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$498,239. Key elements of this change are as follows:

Sewer operations, before transfers	\$ 26,283
Sewer debt service paid with a general fund subsidy	503,983
Nonmajor transfer station operations	<u>(32,027)</u>
Total	<u>\$ 498,239</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used 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 fiscal year.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,479,955, while total fund balance was \$9,428,183. Positive budgetary results (further discussed below), offset by use of free cash to supplement the FY20 budget (\$462,615) and use of free cash for FY21 (\$540,000) generated the increase of \$666,948 in unassigned fund balance. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 6,479,955	\$ 5,813,007	\$ 666,948	18.9%
Total fund balance	\$ 9,428,183	\$ 7,827,742	\$ 1,600,441	27.5%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$2,007,847.

The total fund balance of the general fund changed by \$1,600,441 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (704,135)
Revenues in excess of budget	948,960
Expenditures less than budget	696,030
Change in stabilization	448,270
Other	<u>211,316</u>
Total	\$ <u><u>1,600,441</u></u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization (unassigned)	\$ 2,499,710	\$ 2,435,948	\$ 63,762
Capital stabilization (committed)	1,135,040	759,990	375,050
Special education stabilization (committed)	361,666	355,618	6,048
Compensated absence reserve (committed)	<u>203,896</u>	<u>200,487</u>	<u>3,409</u>
Total	\$ <u><u>4,200,312</u></u>	\$ <u><u>3,752,043</u></u>	\$ <u><u>448,269</u></u>

Non-Major Governmental Funds

The non-major fund balance changed by \$(572,351) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,582,427, a change of \$347,552 in comparison to the prior year, resulting primarily from the transfer in from the general fund for debt service.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wise discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$1,047,182. Major reasons for these amendments include:

- \$ 248,532 Increase in general government appropriations
- \$ 287,435 Increase in culture and recreation appropriations
- \$ 285,890 Increase in employee benefit appropriations

Of this increase, \$462,615 was funded through the use of free cash, \$163,041 through an increase in real estate and property taxes, \$432,021 through the use of prior year carryforwards, and a reduction of \$(10,495) in intergovernmental revenues. Additionally, there were other budgetary reclassifications during the fiscal year which has no impact on the Town's total budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$101,626,231 (net of accumulated depreciation), a change of \$(495,755) from the prior year. This investment in capital assets includes land, buildings and improvements, infrastructure, vehicles, and machinery and equipment.

Major capital asset events during the current fiscal year included construction in progress on the police station, Chapter 90 road resurfacing, and public safety vehicle acquisitions.

Additional information on capital assets can be found in the Notes to Financial Statements.

Credit Rating

The Town is currently assigned an "AA+" rating from Standard and Poor's for general obligation debt.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$28,863,721 all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Economic Factors and Next Year's Budgets and Rates (Whole Dollar Amounts)

- According to the Commonwealth of Massachusetts Division of Employment and Training, the unemployment rate for the Town of Sutton was 2.2% as of December 2019, which compares favorably with the state rate of 2.4% and the national rate of 3.5% for the same time period.
- According to the U.S. Department of Commerce, the median family income for the Town for 2017 was \$101,315; the per capita income for the same time was \$43,451. This compares favorably with both state and national incomes.
- According to the Town's Board of Assessors, the average 2020 single-family home in Sutton is valued at \$396,373; the average two-family home is valued at \$234,612; the average three-family home is valued at \$314,008; the average condominium is valued at \$360,635; the average commercial property is valued at \$703,990; and the average industrial property is valued at \$718,816. All properties compare favorably with state and national property values.
- The Town approved a fiscal year 2021 general fund budget of \$35,826,910, an increase of \$1,302,360 or 3.77% over the final fiscal year 2020 general fund budget.
- The total property tax levy for fiscal year 2021 is \$25,764,044, an increase of \$799,853 or 3.20%. Local receipts are anticipated to be \$(150,134) less than fiscal year 2020 and state aid is anticipated to be essentially level funded with fiscal year 2020.

Requests for Information

This financial report is designed to provide a general overview of the Town of Sutton'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:

Town Administrator
Town of Sutton
4 Uxbridge Road
Sutton, Massachusetts 01590

TOWN OF SUTTON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 12,341,732	\$ 1,549,633	\$ 13,891,365
Investments	3,418,299	-	3,418,299
Receivables, net of allowance for uncollectibles:			
Property taxes	328,818	-	328,818
Excises	155,374	-	155,374
User fees	-	247,474	247,474
Departmental and other	2,835	-	2,835
Intergovernmental	55,484	-	55,484
Other assets	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Total Current Assets	16,302,542	1,801,107	18,103,649
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	392,630	-	392,630
Capital assets:			
Land and construction in progress	6,668,416	-	6,668,416
Other capital assets, net of accumulated depreciation	<u>87,581,039</u>	<u>7,376,776</u>	<u>94,957,815</u>
Total Noncurrent Assets	<u>94,642,085</u>	<u>7,376,776</u>	<u>102,018,861</u>
Total Assets	110,944,627	9,177,883	120,122,510
Deferred Outflows of Resources			
Related to pensions	1,324,076	6,253	1,330,329
Related to OPEB	<u>21,468,906</u>	<u>150,973</u>	<u>21,619,879</u>
Total Deferred Outflows of Resources	<u>22,792,982</u>	<u>157,226</u>	<u>22,950,208</u>
Liabilities			
Current:			
Warrants payable	1,209,612	-	1,209,612
Accrued liabilities	1,098,588	73,099	1,171,687
Notes payable	1,635,000	-	1,635,000
Other current liabilities	14,660	7,068	21,728
Current portion of long-term liabilities:			
Bonds payable	2,150,000	478,581	2,628,581
Compensated absences	20,100	598	20,698
Capital leases	77,331	-	77,331
Landfill liability	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total Current Liabilities	6,221,291	559,346	6,780,637
Noncurrent:			
Bonds payable, net of current portion	24,150,000	2,085,140	26,235,140
Net pension liability	17,256,104	60,609	17,316,713
Net OPEB liability	58,314,188	209,569	58,523,757
Compensated absences	381,906	11,370	393,276
Landfill liability	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total Noncurrent Liabilities	<u>100,182,198</u>	<u>2,366,688</u>	<u>102,548,886</u>
Total Liabilities	106,403,489	2,926,034	109,329,523
Deferred Inflows of Resources			
Related to pensions	841,029	3,972	845,001
Related to OPEB	1,408,325	9,621	1,417,946
Other	<u>624,642</u>	<u>-</u>	<u>624,642</u>
Total Deferred Inflows of Resources	<u>2,873,996</u>	<u>13,593</u>	<u>2,887,589</u>
Net Position			
Net investment in capital assets	67,559,028	4,813,055	72,372,083
Restricted for:			
Grants and other statutory restrictions	3,416,572	-	3,416,572
Permanent funds:			
Nonexpendable	107,277	-	107,277
Expendable	415,379	-	415,379
Unrestricted	<u>(47,038,132)</u>	<u>1,582,427</u>	<u>(45,455,705)</u>
Total Net Position	\$ <u>24,460,124</u>	\$ <u>6,395,482</u>	\$ <u>30,855,606</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses)
			Operating	Capital	Revenues
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<u>Grants and</u>	
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	
Governmental Activities					
General government	\$ 2,809,079	\$ 514,358	\$ 432,384	\$ -	\$ (1,862,337)
Public safety	4,545,184	396,394	45,903	-	(4,102,887)
Education	34,872,696	890,153	11,159,535	-	(22,823,008)
Public works	1,634,754	29,491	-	601,205	(1,004,058)
Health and human services	681,868	242,900	106,236	-	(332,732)
Culture and recreation	379,249	30,920	89,580	-	(258,749)
Interest on long-term debt	947,131	-	-	-	(947,131)
Miscellaneous	<u>385,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(385,731)</u>
Total Governmental Activities	46,255,692	2,104,216	11,833,638	601,205	(31,716,633)
Business-Type Activities					
Sewer services	1,143,980	875,491	291,761	-	23,272
Nonmajor transfer station services	<u>188,320</u>	<u>153,493</u>	<u>2,800</u>	<u>-</u>	<u>(32,027)</u>
Total Business-Type Activities	<u>1,332,300</u>	<u>1,028,984</u>	<u>294,561</u>	<u>-</u>	<u>(8,755)</u>
Total	<u>\$ 47,587,992</u>	<u>\$ 3,133,200</u>	<u>\$ 12,128,199</u>	<u>\$ 601,205</u>	<u>(31,725,388)</u>

(continued)

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (31,716,633)	\$ (8,755)	\$ (31,725,388)
General Revenues and Transfers:			
Property taxes	24,950,590	-	24,950,590
Excise taxes	1,859,046	-	1,859,046
Penalties, interest and other taxes	85,432		85,432
Grants and contributions not restricted to specific programs	1,045,577	-	1,045,577
Investment income	262,774	-	262,774
Other	148,893	3,011	151,904
Transfers	<u>(503,983)</u>	<u>503,983</u>	<u>-</u>
Total General Revenues and Transfers	<u>27,848,329</u>	<u>506,994</u>	<u>28,355,323</u>
Change in Net Position	(3,868,304)	498,239	(3,370,065)
Net Position:			
Beginning of Year	<u>28,328,428</u>	<u>5,897,243</u>	<u>34,225,671</u>
End of Year	\$ <u><u>24,460,124</u></u>	\$ <u><u>6,395,482</u></u>	\$ <u><u>30,855,606</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 9,069,623	\$ 3,272,109	\$ 12,341,732
Investments	2,499,710	918,589	3,418,299
Receivables:			
Property taxes	774,623	-	774,623
Excises	239,159	-	239,159
Departmental and other	2,835	-	2,835
Intergovernmental	<u>-</u>	<u>55,484</u>	<u>55,484</u>
Total Assets	<u>\$ 12,585,950</u>	<u>\$ 4,246,182</u>	<u>\$ 16,832,132</u>
Liabilities			
Warrants payable	\$ 1,209,612	\$ -	\$ 1,209,612
Accrued liabilities	996,393	-	996,393
Other liabilities	<u>5,421</u>	<u>9,239</u>	<u>14,660</u>
Total Liabilities	2,211,426	9,239	2,220,665
Deferred Inflows of Resources			
Unavailable revenues	946,341	-	946,341
Fund Balances			
Nonspendable	-	107,277	107,277
Restricted	57,625	4,200,719	4,258,344
Committed	2,350,603	-	2,350,603
Assigned	540,000	-	540,000
Unassigned	<u>6,479,955</u>	<u>(71,053)</u>	<u>6,408,902</u>
Total Fund Balances	<u>9,428,183</u>	<u>4,236,943</u>	<u>13,665,126</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,585,950</u>	<u>\$ 4,246,182</u>	<u>\$ 16,832,132</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2020

Total governmental fund balances	\$ 13,665,126
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	94,249,455
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	809,381
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(84,161,643)
Other	<u>(102,195)</u>
Net position of governmental activities	\$ <u><u>24,460,124</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 24,864,460	\$ -	\$ 24,864,460
Excises	1,874,565	-	1,874,565
Penalties, interest and other taxes	85,432	-	85,432
Charges for services	737,081	819,763	1,556,844
Intergovernmental	8,555,035	3,047,713	11,602,748
Licenses and permits	106,886	-	106,886
Fines and forfeitures	73,580	-	73,580
Investment income	245,447	17,327	262,774
Miscellaneous	<u>145,558</u>	<u>3,335</u>	<u>148,893</u>
Total Revenues	36,688,044	3,888,138	40,576,182
Expenditures			
Current:			
General government	1,641,950	534,083	2,176,033
Public safety	3,614,251	866,854	4,481,105
Education	20,472,462	2,313,071	22,785,533
Public works	1,658,745	488,419	2,147,164
Health and human services	301,185	211,546	512,731
Culture and recreation	286,949	29,902	316,851
Employee benefits	5,111,239	-	5,111,239
Debt service:			
Principal	2,142,761	-	2,142,761
Interest	<u>1,005,692</u>	<u>-</u>	<u>1,005,692</u>
Total Expenditures	<u>36,235,234</u>	<u>4,443,875</u>	<u>40,679,109</u>
Excess (Deficiency) of Revenues over Expenditures	452,810	(555,737)	(102,927)
Other Financing Sources (Uses)			
Issuance of notes	1,635,000	-	1,635,000
Transfers in	16,614	9,700	26,314
Transfers out	<u>(503,983)</u>	<u>(26,314)</u>	<u>(530,297)</u>
Total Other Financing Sources (Uses)	<u>1,147,631</u>	<u>(16,614)</u>	<u>1,131,017</u>
Change in fund balance	1,600,441	(572,351)	1,028,090
Fund Balance, at Beginning of Year, as restated	<u>7,827,742</u>	<u>4,809,294</u>	<u>12,637,036</u>
Fund Balance, at End of Year	\$ <u><u>9,428,183</u></u>	\$ <u><u>4,236,943</u></u>	\$ <u><u>13,665,126</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2020

Net changes in fund balances - total governmental funds	\$	1,028,090
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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:

Capital outlay		3,688,826
Net effect on disposal of assets		(9,365)
Depreciation		(3,866,874)

The issuance of long-term debt (e.g., bonds) 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, however, has any effect on net position:

Issuance of notes		(1,635,000)
Repayments of debt		2,142,761
Other		56,786

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.

62,969

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:

Change in pension expense from GASB 68		(763,854)
Change in OPEB expense from GASB 75		(4,699,423)
Other		117,363

Other differences		9,417
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Change in net position of governmental activities	\$	<u><u>(3,868,304)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Nonmajor Transfer Station Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 1,493,352	\$ 56,281	\$ 1,549,633
User fees, net of allowance for uncollectibles	247,474	-	247,474
Other assets	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Total Current Assets	1,740,826	60,281	1,801,107
Noncurrent:			
Capital assets:			
Other capital assets, net of accumulated depreciation	<u>7,357,407</u>	<u>19,369</u>	<u>7,376,776</u>
Total Noncurrent Assets	<u>7,357,407</u>	<u>19,369</u>	<u>7,376,776</u>
Total Assets	9,098,233	79,650	9,177,883
Deferred Outflows of Resources			
Related to pensions	2,927	3,326	6,253
Related to OPEB	<u>98,449</u>	<u>52,524</u>	<u>150,973</u>
Total Deferred Outflows of Resources	<u>101,376</u>	<u>55,850</u>	<u>157,226</u>
Liabilities			
Current:			
Accrued liabilities	72,162	937	73,099
Other current liabilities	7,068	-	7,068
Current portion of long-term liabilities:			
Bonds payable	478,581	-	478,581
Compensated absences	<u>598</u>	<u>-</u>	<u>598</u>
Total Current Liabilities	558,409	937	559,346
Noncurrent:			
Bonds payable, net of current portion	2,085,140	-	2,085,140
Net pension liability	17,317	43,292	60,609
Net OPEB liability	61,174	148,395	209,569
Compensated absences	<u>11,370</u>	<u>-</u>	<u>11,370</u>
Total Noncurrent Liabilities	<u>2,175,001</u>	<u>191,687</u>	<u>2,366,688</u>
Total Liabilities	2,733,410	192,624	2,926,034
Deferred Inflows of Resources			
Related to pensions	1,859	2,113	3,972
Related to OPEB	<u>6,161</u>	<u>3,460</u>	<u>9,621</u>
Total Deferred Inflows of Resources	8,020	5,573	13,593
Net Position			
Net investment in capital assets	4,793,686	19,369	4,813,055
Unrestricted	<u>1,664,493</u>	<u>(82,066)</u>	<u>1,582,427</u>
Total Net Position	\$ <u>6,458,179</u>	\$ <u>(62,697)</u>	\$ <u>6,395,482</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Proprietary Funds
Statement Of Revenues, Expenses And Changes In Fund Net Position
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Nonmajor Transfer Station Fund	Total
Operating Revenues			
Charges for services	\$ 875,491	\$ 153,493	\$ 1,028,984
Total Operating Revenues	875,491	153,493	1,028,984
Operating Expenses			
Salaries and benefits	154,802	98,212	253,014
Other operating expenses	587,785	87,232	675,017
Depreciation	330,780	2,876	333,656
Total Operating Expenses	1,073,367	188,320	1,261,687
Operating Income (Loss)	(197,876)	(34,827)	(232,703)
Nonoperating Revenues (Expenses)			
Connection fee revenue	214,100	-	214,100
Intergovernmental revenue	77,661	2,800	80,461
Other nonoperating income	3,011	-	3,011
Interest expense	(70,613)	-	(70,613)
Total Nonoperating Revenues (Expenses), Net	224,159	2,800	226,959
Income (Loss) Before Transfers	26,283	(32,027)	(5,744)
Transfers in	503,983	-	503,983
Change in Net Position	530,266	(32,027)	498,239
Net Position, Beginning of Year	5,927,913	(30,670)	5,897,243
Net Position, End of Year	\$ 6,458,179	\$ (62,697)	\$ 6,395,482

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Nonmajor Transfer Station Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 891,343	\$ 153,493	\$ 1,044,836
Payments to employees	(278,938)	(82,162)	(361,100)
Payments to vendors	<u>(587,785)</u>	<u>(87,232)</u>	<u>(675,017)</u>
Net Cash Provided By (Used For) Operating Activities	24,620	(15,901)	8,719
Cash Flows From Noncapital Financing Activities			
Transfers in	503,983	-	503,983
Intergovernmental receipt	<u>-</u>	<u>2,800</u>	<u>2,800</u>
Net Cash Provided By Noncapital Financing Activities	503,983	2,800	506,783
Cash Flows From Capital and Related Financing Activities			
Connection fee receipts	214,100	-	214,100
Intergovernmental receipt	77,661	-	77,661
Acquisition and construction of capital assets	(25,314)	-	(25,314)
Principal payments on bonds	(459,028)	-	(459,028)
Interest expense	(102,454)	-	(102,454)
Other non-operating income	<u>3,011</u>	<u>-</u>	<u>3,011</u>
Net Cash Used For Capital and Related Financing Activities	<u>(292,024)</u>	<u>-</u>	<u>(292,024)</u>
Net Change in Cash and Short-Term Investments	236,579	(13,101)	223,478
Cash and Short-Term Investments, Beginning of Year	<u>1,256,773</u>	<u>69,382</u>	<u>1,326,155</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>1,493,352</u></u>	\$ <u><u>56,281</u></u>	\$ <u><u>1,549,633</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities			
Operating income (loss)	\$ (197,876)	\$ (34,827)	\$ (232,703)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	330,780	2,876	333,656
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	15,852	-	15,852
Deferred outflows - related to pensions	1,056	1,200	2,256
Deferred outflows - related to OPEB	(59,349)	(29,473)	(88,822)
Accrued liabilities	337	937	1,274
Net pension liability	(20,907)	(144)	(21,051)
Net OPEB liability	(50,863)	40,050	(10,813)
Deferred inflows - related to pensions	713	811	1,524
Deferred inflows - related to OPEB	<u>4,877</u>	<u>2,669</u>	<u>7,546</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>24,620</u></u>	\$ <u><u>(15,901)</u></u>	\$ <u><u>8,719</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and short-term investments	\$ -	\$ 335,359
Investments:		
Equity mutual funds	1,195,460	-
Fixed income mutual funds	631,029	-
Equity securities	<u>129,497</u>	<u>-</u>
Total Investments	<u>1,955,986</u>	<u>-</u>
Total Assets	1,955,986	335,359
Liabilities		
Other liabilities	<u>-</u>	<u>335,359</u>
Total Liabilities	-	<u>\$ 335,359</u>
Net Position		
Restricted for OPEB purposes	<u>1,955,986</u>	
Total Net Position	<u>\$ 1,955,986</u>	

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>OPEB Trust Fund</u>
Additions	
Contributions:	
Employers	\$ <u>1,222,472</u>
Total contributions	<u>1,222,472</u>
Investment Income (Loss):	
Interest	<u>43,560</u>
Net investment income (loss)	<u>43,560</u>
Taxes collected for other governments	
Miscellaneous	
Total Additions	1,266,032
Deductions	
Benefit payments to plan members, beneficiaries and other systems	<u>802,472</u>
Total Deductions	<u>802,472</u>
Net Increase (Decrease)	463,560
Net Position Restricted for OPEB	
Beginning of year	<u>1,492,426</u>
End of year	\$ <u><u>1,955,986</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Sutton (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The government is a municipal corporation governed by an elected Select Board. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

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*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when 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 a proprietary fund's principal ongoing operations. The

principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the sewer fund as a major proprietary fund.

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

The Town reports the following fiduciary funds:

- The *other post-employment insurance liability trust fund* is used to account for funds to offset the anticipated cost of premium payments for or direct payments to be made to retired employees of the Town, and to any eligible surviving spouse of or dependents of deceased employees of the Town.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. *Agency funds* report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

The Town's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the

financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

Property Tax Limitations

Legislation known as “Proposition 2½” has limited the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2½% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$11,857.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	20 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance

Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain

appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2020.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, and transfers from other funds.

3. Deposits and Investments

Town (Excluding the Pension and OPEB Trust Funds)

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2020, none of the Town's bank balance of \$14,401,771 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

The following is a summary of the Town's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 996,206
Corporate bonds	1,268,604
Equity securities	342,760
Equity mutual funds	88,204
U.S. Treasury and agencies	<u>722,525</u>
Total Investments	<u>\$ 3,418,299</u>

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy is to limit investments to only those financial institutions assigned the highest rating by one or more of the recognized bank rating services. The Town manages this custodial credit risk with SIPC and excess SIPC.

As of June 30, 2020, none of the Town's investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm.

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town's investment policies related to credit risk require the use of diversification and prudent selection of investment instruments, and choice depository to mitigate credit risk.

As of June 30, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>AA</u>	<u>A</u>	<u>BBB</u>
Corporate bonds	\$ <u>1,268,604</u>	\$ <u>-</u>	\$ <u>592,676</u>	\$ <u>675,928</u>
Total	\$ <u>1,268,604</u>	\$ <u>-</u>	\$ <u>592,676</u>	\$ <u>675,928</u>

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town's policies related to concentration of credit risk exposure limit bank deposits of any kind to no more than 20% of the municipalities cash, except for exigent circumstances.

As of June 30, 2020, the Town does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy related to interest rate risk is to minimize the liquidation of investments that could result in forfeiture of accrued interest earnings or even in some cases, loss of principal, by structuring the portfolio so securities mature to meet all operating requirements that may be reasonably anticipated.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>
Corporate bonds	1,268,604	1-5
U.S. Treasury and agencies	<u>722,526</u>	<u>722,526</u>
Total	\$ <u><u>1,991,130</u></u>	\$ <u><u>1,991,130</u></u>

Foreign Currency Risk - Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk is to prohibit investments in foreign currency.

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3

measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate bonds	\$ 1,268,604	\$ -	\$ 1,268,604	\$ -
Equity securities	342,760	342,760	-	-
Equity mutual funds	88,204	-	-	-
U.S. Treasury and agencies	722,526	-	722,526	-
Total	<u>\$ 2,422,094</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was

readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments - OPEB Trust Fund

Generally, the Town's OPEB investment policies mirror that of the town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 1,195,460
Fixed income mutual funds	631,029
Equity securities	<u>129,497</u>
Total Investments	<u>\$ 1,955,986</u>

Custodial Credit Risk

As of June 30, 2020, none of the OPEB Trust Fund's investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm.

Credit Risk – Investments of Debt Securities

Presented below is the actual rating as of year-end for debt-related investments type of the OPEB Trust Fund. (All U.S. Treasury and agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>AAA</u>	<u>BBB</u>	<u>BB</u>
Fixed income mutual funds	\$ <u>631,029</u>	\$ <u>206,928</u>	\$ <u>370,833</u>	\$ <u>53,268</u>
Total	\$ <u><u>631,029</u></u>	\$ <u><u>206,928</u></u>	\$ <u><u>370,833</u></u>	\$ <u><u>53,268</u></u>

Concentration of Credit Risk

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2020, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is as follows:

		Investment Maturities (in Years)
<u>Investment Type</u>	<u>Amount</u>	<u>6-10</u>
Fixed income mutual funds	\$ 631,029	\$ 631,029
Total	\$ 631,029	\$ 631,029

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2020:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Equity securities	129,596	129,596	-	-
Equity mutual funds	1,195,460	1,195,460	-	-
Fixed income mutual funds	631,029	-	631,029	-
Total	\$ 1,956,085			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes and Excises Receivable

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year's levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat vehicle excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2020 consist of the following, net of an estimated allowance for doubtful account in the government-wide financial statements:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 348,044	\$ 25,672	\$ 322,372	\$ -
Personal property taxes	33,949	27,503	6,446	-
Community preservation act	-	-	-	-
Tax liens	392,630	-	-	392,630
Deferred taxes	-	-	-	-
Total property taxes	<u>\$ 774,623</u>	<u>\$ 53,175</u>	<u>\$ 328,818</u>	<u>\$ 392,630</u>
Motor vehicle excise	\$ 234,628	\$ 81,948	\$ 152,680	
Boat excise	2,942	919	2,024	
Other excise	<u>1,589</u>	<u>918</u>	<u>671</u>	
Total excises	<u>\$ 239,159</u>	<u>\$ 83,785</u>	<u>\$ 155,375</u>	

6. User Fees Receivable

The Town provides sewer services but does not supply public water. Sewer bills are mailed twice annually covering January through June, and July through December. Usage is based on

gallon consumption, with a minimum bill of \$295 for the first 30,000 gallons and a fee of \$6.25 for every additional 1,000 gallons used.

7. Interfund Transfers

The Town reports interfund transfers between many of its funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 16,614	\$ (503,983)
Nonmajor Funds:		
Special Revenue Funds:	-	(13,314)
Expendable Trust Funds	<u>9,700</u>	<u>(13,000)</u>
Subtotal Nonmajor Funds	9,700	(26,314)
<u>Business-Type Funds</u>		
Sewer Fund	<u>503,983</u>	<u>-</u>
Subtotal Business-Type Funds	<u>503,983</u>	<u>-</u>
Total	<u>\$ 530,297</u>	<u>\$ (530,297)</u>

All of the \$503,893 transfer from the General Fund represents the annual transfer of the monies to the Sewer Fund for sewer debt service that is appropriated in the General Fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

8. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 102,490	\$ 1,037	\$ -	\$ 103,527
Machinery, equipment, and furnishings	4,607	142	(15)	4,734
Motor vehicles	4,490	1,165	(26)	5,629
Infrastructure	<u>17,504</u>	<u>964</u>	<u>-</u>	<u>18,468</u>
Total capital assets, being depreciated	129,091	3,308	(41)	132,358
Less accumulated depreciation for:				
Buildings and improvements	(27,606)	(2,571)	-	(30,177)
Machinery, equipment, and furnishings	(2,456)	(262)	15	(2,703)
Motor vehicle	(2,949)	(373)	26	(3,296)
Infrastructure	<u>(7,939)</u>	<u>(662)</u>	<u>-</u>	<u>(8,601)</u>
Total accumulated depreciation	<u>(40,950)</u>	<u>(3,868)</u>	<u>41</u>	<u>(44,777)</u>
Total capital assets, being depreciated, net	88,141	(560)	-	87,581
Capital assets, not being depreciated:				
Land	6,273	-	-	6,273
Construction in progress	<u>23</u>	<u>456</u>	<u>(84)</u>	<u>395</u>
Total capital assets, not being depreciated	<u>6,296</u>	<u>456</u>	<u>(84)</u>	<u>6,668</u>
Governmental activities capital assets, net	<u>\$ 94,437</u>	<u>\$ (104)</u>	<u>\$ (84)</u>	<u>\$ 94,249</u>
Business-Type Activities				
Capital assets, being depreciated:				
Sewer treatment plant	\$ 10,011	\$ -	\$ -	\$ 10,011
Millbury pumping station	1,665	-	-	1,665
Sewer pipes	307	-	-	307
Machinery, equipment, and furnishings	<u>809</u>	<u>26</u>	<u>-</u>	<u>835</u>
Total capital assets, being depreciated	12,792	26	-	12,818
Less accumulated depreciation for:				
Sewer treatment plant	(3,490)	(250)	-	(3,740)
Millbury pumping station	(683)	(56)	-	(739)
Sewer pipes	(307)	-	-	(307)
Machinery, equipment, and furnishings	<u>(627)</u>	<u>(28)</u>	<u>-</u>	<u>(655)</u>
Total accumulated depreciation	<u>(5,107)</u>	<u>(334)</u>	<u>-</u>	<u>(5,441)</u>
Total capital assets, being depreciated, net	<u>7,685</u>	<u>(308)</u>	<u>-</u>	<u>7,377</u>
Business-type activities capital assets, net	<u>\$ 7,685</u>	<u>\$ (308)</u>	<u>\$ -</u>	<u>\$ 7,377</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 95
Public safety	536
Education	2,476
Public works	746
Culture and recreation	13
Other	<u>2</u>
Total governmental activities	\$ <u>3,868</u>
Business-Type Activities	
Sewer	\$ 331
Nonmajor transfer station	<u>3</u>
Total business-type activities	\$ <u>334</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Warrants Payable

Warrants payable represent 2020 expenditures paid by July 15, 2021.

11. Accrued Liabilities

Accrued liabilities represent 2020 expenditures paid in 2021.

12. Notes Payable

The Town had the following note outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
May 2019 Capital Article	1.39%	02/28/20	02/28/21	\$ <u>1,635,000</u>
Total				\$ <u>1,635,000</u>

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in 2021. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2020:

	Fiscal <u>Year</u>	Capital <u>Leases</u>
	2021	\$ <u>80,508</u>
Total payments		80,508
Less amounts representing interest		<u>3,177</u>
Present Value of Minimum Lease Payments		\$ <u><u>77,331</u></u>

14. Long-Term Debt

Long-Term Debt Supporting Activities

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

Governmental Activities

	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/20</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Shaw Land - MPL 2007 - REFUNDED	\$ 1,910,000	06/30/27	1.86%	\$ 1,490,000
Police Station	8,700,000	06/30/38	2.71%	7,830,000
MS/HS Construction 2011 - REFUNDED	14,975,000	06/30/31	2.24%	13,730,000
MS/HS Construction 2013	5,101,963	06/30/33	2.29%	<u>3,250,000</u>
Total public offerings				
Total general obligation bonds				<u>26,300,000</u>
Total governmental activities				\$ <u><u>26,300,000</u></u>

Business-Type Activities

		Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/20</u>
<u>Loans - Direct Borrowings</u>				
MWPAT - Manchaug Sewer Treatment Plant	\$ 7,408,501	02/01/25	2.00%	\$ <u>2,563,721</u>
Total loans - direct borrowings				<u>2,563,721</u>
Total business-type activities				\$ <u><u>2,563,721</u></u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,150,000	\$ 902,003
2022	2,145,000	800,752
2023	2,165,000	700,378
2024	2,175,000	599,002
2025	2,185,000	497,128
2026 - 2030	10,085,000	1,508,826
2031 - 2035	4,090,000	464,500
2036-2040	<u>1,305,000</u>	<u>78,300</u>
Total	\$ <u>26,300,000</u>	\$ <u>5,550,889</u>

<u>Business-Type</u>	<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 478,581	\$ 28,093
2022	498,095	15,774
2023	512,744	7,948
2024	532,277	
2025	<u>542,024</u>	
Total	\$ <u>2,563,721</u>	\$ <u>51,815</u>

Changes in General Long-Term Liabilities

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 28,440	\$ -	\$ (2,140)	\$ 26,300	\$ (2,150)	\$ 24,150
Loans payable (direct borrowings)	<u>3</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	28,443	-	(2,143)	26,300	(2,150)	24,150
Net pension liability	17,293	-	(37)	17,256	-	17,256
Net OPEB liability	42,698	15,616	-	58,314	-	58,314
Compensated absences	429	21	(48)	402	(20)	382
Capital leases	151	-	(74)	77	(77)	-
Landfill liability	<u>112</u>	<u>-</u>	<u>(16)</u>	<u>96</u>	<u>(16)</u>	<u>80</u>
Total	<u>\$ 89,126</u>	<u>\$ 15,637</u>	<u>\$ (2,318)</u>	<u>\$ 102,445</u>	<u>\$ (2,263)</u>	<u>\$ 100,182</u>
Business-Type Activities						
Loans payable (direct borrowings)	\$ 3,023	\$ -	\$ (459)	\$ 2,564	\$ (479)	\$ 2,085
Net pension liability	82	-	(21)	61	-	61
Net OPEB liability	220	-	(10)	210	-	210
Compensated absences	<u>12</u>	<u>1</u>	<u>(1)</u>	<u>12</u>	<u>(1)</u>	<u>11</u>
Total	<u>\$ 3,337</u>	<u>\$ 1</u>	<u>\$ (491)</u>	<u>\$ 2,847</u>	<u>\$ (480)</u>	<u>\$ 2,367</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise fund(s).

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$96,000 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be

recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2020:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

Unassigned

Represent amounts that are available to be spent in future periods, general stabilization fund, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2020:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 107,277	\$ 107,277
Total Nonexpendable	-	107,277	107,277
Restricted			
MS/HS construction	-	264,448	264,448
Police Station Construction	-	104,320	104,320
Town revolving funds:			
Cable access fees	-	398,188	398,188
Manchaug dam gift	-	395,932	395,932
COA food pantry donations	-	127,892	127,892
Other	-	422,142	422,142
School revolving funds:			
School lunch	-	157,112	157,112
School transportation	-	1,060,848	1,060,848
After school program	-	147,521	147,521
SPED transportation	-	93,851	93,851
Other	-	362,432	362,432
Town and school grants	-	250,654	250,654
Expendable permanent funds	-	415,379	415,379
Debt service	57,625	-	57,625
Total Restricted	57,625	4,200,719	4,258,344
Committed			
Other reserves for cont. appropriation	650,001	-	650,001
Capital stabilization*	1,135,040	-	1,135,040
Special Education stabilization*	361,666	-	361,666
Compensated absence reserve	203,896	-	203,896
Total Committed	2,350,603	-	2,350,603
Assigned			
Reserved for subsequent year capital expenditures:	540,000	-	540,000
Total Assigned	540,000	-	540,000
Unassigned			
General fund	3,980,245	-	3,980,245
General stabilization fund	2,499,710	-	2,499,710
Deficit town grants	-	(71,053)	(71,053)
Total Unassigned	6,479,955	(71,053)	6,408,902
Total Fund Balance	\$ 9,428,183	\$ 4,236,943	\$ 13,665,126

* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

18. Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Worcester Regional Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 23 Midstate Drive, Suite 106 Midstate Office Park, Auburn, MA 01501.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to

April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participants’ Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town’s contribution to the System for the year ended June 30, 2020 was \$1,184,523, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$17,316,713 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019. The

total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 31, 2019. 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 employers, actuarially determined. At June 30, 2020, the Town's proportion was 1.95%, which was an increase of .03% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,931,102. The Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 50,851	\$ (103,751)
Changes of assumptions	967,867	-
Net difference between projected and actual earnings on pension plan investments	-	(475,632)
Net changes in proportion and differences between contributions and proportionate share of contributions	<u>311,611</u>	<u>(265,618)</u>
Total	\$ <u>1,330,329</u>	\$ <u>(845,001)</u>

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

Year ended June 30:		
2021	\$	136,686
2022		241,872
2023		162,015
2024		(139,671)
2025		<u>84,426</u>
Total	\$	<u>485,328</u>

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% per year
Salary increases	Group 1: 6% - 4.25%, based on service Group 2: 7% - 4.75%, based on service
Investment rate of return	7.65% net of pension plan expense, including inflation

Mortality rates were based on the RP-2000 mortality table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 mortality table (base year 2012) with full generational mortality improvement using Scale BB.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of the most recent actuarial experience study.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.00%	4.68%
Core fixed income	15.00%	0.59%
Value-added fixed income	8.00%	4.40%
Private equity	13.00%	8.50%
Real estate	10.00%	3.70%
Timberland	4.00%	4.30%
Portfolio completion	<u>11.00%</u>	3.40%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town's proportionate share of the net

pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.65%)</u>	<u>(7.65%)</u>	<u>(8.65%)</u>
\$21,130,897	\$ 17,316,713	\$14,095,740

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

19. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributing entity and is responsible for all 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 does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).

- Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
- Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

Special Funding Situation

The Commonwealth is a nonemployer contributing entity and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$35,066,524 based on a proportionate share of 0.139075%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$2,007,847 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$4,252,425 as both a revenue and expense in the governmental activities.

20. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Fallon and FCC Healthcare. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	99
Active employees	<u>289</u>
Total	<u>388</u>

Investments

The OPEB trust fund assets consist of equity securities, equity mutual and fixed income mutual funds, and cash and cash equivalents.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2019, rolled forward to June 30, 2020. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.75%, net of OPEB plan investment expense
Municipal bond rate	2.21%
Discount rate	2.22%
Healthcare cost trend rates	7.00% for 2020, fluctuating .45% per year to 5.20%, then grading down to an ultimate trend rate of 4.00% as of 2075 and later years
Participation rate	80% of eligible retired employees will elect to participate.

Mortality rates were based on the following:

Pre-retirement Mortality – General and Public Safety employees	RP-2014 Blue Collar, projected with generational mortality improvement using scale MP-2018.
Post-retirement Mortality – General and Public Safety employees	RP-2014 White Collar, projected with generational mortality improvement using scale MP-2018.
Pre-retirement Mortality – Teachers	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mor- tality improvement using Scale MP-2016.
Post-retirement Mortality – Teachers	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP- 2016.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31.00%	4.96%
Domestic bond	22.00%	2.22%
International equity	21.00%	7.01%
Alternative	20.00%	4.07%
International bond	6.00%	1.53%
Cash and equivalent	0.00%	0.00%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Town's policy to contribute amounts annually provided by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 2.22%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.75% and municipal bond rate of 2.21% (based on index provided by the Bond Buyer 20-Bond GO Index published on June 30, 2020) on 20-year municipal bond rate as of June 30, 2020).

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 60,479,743
Plan fiduciary net position	<u>1,955,986</u>
Net OPEB liability	<u>\$ 58,523,757</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.23%

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 44,411,245	\$ 1,492,426	\$ 42,918,819
Changes for the year:			
Service cost	2,049,058	-	2,049,058
Interest	1,630,491	-	1,630,491
Contributions - employer	-	1,222,472	(1,222,472)
Net investment income	-	43,560	(43,560)
Changes of benefit terms	(738,178)	-	(738,178)
Differences between expected and actual experience	(1,295,660)	-	(1,295,660)
Changes in assumptions	15,225,259	-	15,225,259
Benefit payments	<u>(802,472)</u>	<u>(802,472)</u>	<u>-</u>
Net Changes	<u>16,068,498</u>	<u>463,560</u>	<u>15,604,938</u>
Balances, end of year	<u>\$ 60,479,743</u>	<u>\$ 1,955,986</u>	<u>\$ 58,523,757</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2019 to 2.22% in 2020, changes in inflation and trend assumptions, and changes in mortality tables and improvement rates.

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

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

1% Decrease <u>(1.22%)</u>	Current Discount Rate <u>(2.22%)</u>	1% Increase <u>(3.22%)</u>
\$ 73,285,870	\$ 58,523,757	\$ 47,396,490

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(6.00%)</u>	Current Healthcare Cost Trend Rates <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 45,807,103	\$ 58,523,757	\$ 76,019,091

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$5,829,806. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 5,966,663	\$ (1,140,862)
Changes in assumptions	15,562,922	(277,084)
Net difference between projected and actual earnings on OPEB investment	<u>90,294</u>	<u>-</u>
Total	\$ <u>21,619,879</u>	\$ <u>(1,417,946)</u>

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

<u>Year Ended June 30:</u>	
2021	\$ 3,023,123
2022	3,023,121
2023	3,019,294
2024	3,016,048
2025	2,997,823
Thereafter	<u>5,122,524</u>
Total	\$ <u>20,201,933</u>

21. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

There are pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Abatements

There are cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts if any, to be immaterial.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the Town's general fund has \$21,119 in encumbrances that will be honored in the next fiscal year.

22. Beginning Fund Balance Restatement

The beginning (July 1, 2019) fund balance of the Town has been restated as follows:

Fund Basis Financial Statements:

	General <u>Fund</u>	Police Station <u>Fund</u>	Nonmajor Governmental Funds	Total Governmental Funds
As previously reported	\$ 7,827,742	\$ 905,097	\$ 3,904,197	\$ 12,637,036
Reclassification of Police Station Fund	<u>-</u>	<u>(905,097)</u>	<u>905,097</u>	<u>-</u>
As reclassified	\$ <u>7,827,742</u>	\$ <u>-</u>	\$ <u>4,809,294</u>	\$ <u>12,637,036</u>

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF SUTTON, MASSACHUSETTS

Required Supplemental Information
General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses –
Budget and Actual

For the Year Ended June 30, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (<u>Negative</u>)
Revenues				
Property taxes	\$ 24,703,554	\$ 24,866,595	\$ 24,866,774	\$ 179
Excises	1,540,992	1,540,992	1,874,563	333,571
Charges for services	443,620	443,620	737,080	293,460
Intergovernmental	6,548,090	6,537,595	6,547,189	9,594
Licenses and permits, fees and fines	160,000	160,000	265,898	105,898
Investment income	42,000	42,000	153,327	111,327
Miscellaneous	<u>51,000</u>	<u>51,000</u>	<u>145,931</u>	<u>94,931</u>
Total Revenues	33,489,256	33,641,802	34,590,762	948,960
Expenditures				
General government	1,771,853	2,020,385	1,818,594	201,791
Public safety	3,642,104	3,691,516	3,630,805	60,711
Education	18,565,285	18,646,608	18,595,020	51,588
Public works	1,798,220	1,889,810	1,837,449	52,361
Health and human services	357,227	360,227	301,182	59,045
Culture and recreation	251,335	538,770	527,873	10,897
Employee benefits	5,066,993	5,352,883	5,129,738	223,145
Debt service	<u>3,688,928</u>	<u>3,688,928</u>	<u>3,652,436</u>	<u>36,492</u>
Total Expenditures	<u>35,141,945</u>	<u>36,189,127</u>	<u>35,493,097</u>	<u>696,030</u>
Excess (deficiency) of Revenues over Expenditures	(1,652,689)	(2,547,325)	(902,335)	1,644,990
Other Financing Sources/Uses				
Transfers in	411,025	411,025	411,025	-
Transfers out	(638,822)	(638,822)	(638,822)	-
Use of free cash:				
Capital budget	241,520	389,135	389,135	-
OPEB trust fund contribution	-	315,000	315,000	-
Note proceeds	1,635,000	1,635,000	1,635,000	-
Other sources (prior year encumbrances)	<u>3,966</u>	<u>435,987</u>	<u>435,987</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>1,652,689</u>	<u>2,547,325</u>	<u>2,547,325</u>	<u>-</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,644,990</u>	\$ <u>1,644,990</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 36,688,044	\$ 36,235,234	\$ 1,147,631
Remove effect of combining stabilization and general fund	(92,120)	-	(356,150)
Prior year appropriations used to fund current year expenditures	-	-	435,987
Add end-of-year appropriation carryforwards from expenditures	-	650,001	-
To record use of free cash	-	-	704,135
To reverse the effect of non-budgeted State contributions	(2,007,847)	(2,007,847)	-
Overhead cost reclassification	-	111,739	111,739
Enterprise debt service reclassification	-	503,983	503,983
Other	<u>2,685</u>	<u>(13)</u>	<u>-</u>
Budgetary Basis	\$ <u><u>34,590,762</u></u>	\$ <u><u>35,493,097</u></u>	\$ <u><u>2,547,325</u></u>

See Independent Auditors' Report.

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

(Amounts expressed in thousands)

Worcester Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	1.95%	\$17,316,713	\$ 6,599,368	262.40%	47.36%
June 30, 2019	December 31, 2018	1.92%	\$17,374,370	\$ 5,925,505	293.21%	43.05%
June 30, 2018	December 31, 2017	1.91%	\$15,578,505	\$ 6,087,190	255.92%	46.40%
June 30, 2017	December 31, 2016	1.89%	\$15,808,187	\$ 6,249,073	252.97%	42.00%
June 30, 2016	December 31, 2015	1.88%	\$13,378,396	\$ 6,062,691	220.67%	44.52%
June 30, 2015	December 31, 2014	2.16%	\$12,865,839	\$ 5,829,511	220.70%	47.90%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.14%	\$ -	\$ 35,066,524	\$ 35,066,524	\$ 10,120,694	0.00%	53.95%
June 30, 2019	June 30, 2018	0.14%	\$ -	\$ 32,345,458	\$ 32,345,458	\$ 9,580,172	0.00%	54.84%
June 30, 2018	June 30, 2017	0.14%	\$ -	\$ 32,489,014	\$ 32,489,014	\$ 9,640,020	0.00%	54.25%
June 30, 2017	June 30, 2016	0.14%	\$ -	\$ 32,125,185	\$ 32,125,185	\$ 9,451,169	0.00%	52.73%
June 30, 2016	June 30, 2015	0.15%	\$ -	\$ 30,343,834	\$ 30,343,834	\$ 9,387,513	0.00%	55.38%
June 30, 2015	June 30, 2014	0.15%	\$ -	\$ 23,905,002	\$ 23,905,002	\$ 9,340,394	0.00%	61.64%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

Worcester Regional Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	December 31, 2019	\$ 1,184,523	\$ 1,184,523	\$ -	\$ 6,599,368	17.95%
June 30, 2019	December 31, 2018	\$ 1,066,773	\$ 1,066,773	\$ -	\$ 5,925,505	18.00%
June 30, 2018	December 31, 2017	\$ 966,685	\$ 966,685	\$ -	\$ 6,087,190	15.88%
June 30, 2017	December 31, 2016	\$ 916,769	\$ 916,769	\$ -	\$ 6,249,073	14.67%
June 30, 2016	December 31, 2015	\$ 847,894	\$ 847,894	\$ -	\$ 6,062,691	13.99%
June 30, 2015	December 31, 2014	\$ 854,433	\$ 854,433	\$ -	\$ 5,829,511	14.66%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$ 2,007,847	\$ 2,007,847	\$ -	\$ 10,120,694	0.00%
June 30, 2019	June 30, 2018	\$ 1,793,545	\$ 1,793,545	\$ -	\$ 9,580,172	0.00%
June 30, 2018	June 30, 2017	\$ 1,753,986	\$ 1,753,986	\$ -	\$ 9,640,020	0.00%
June 30, 2017	June 30, 2016	\$ 1,615,867	\$ 1,615,867	\$ -	\$ 9,451,169	0.00%
June 30, 2016	June 30, 2015	\$ 1,513,412	\$ 1,513,412	\$ -	\$ 9,387,513	0.00%
June 30, 2015	June 30, 2014	\$ 1,409,635	\$ 1,409,635	\$ -	\$ 9,340,394	0.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF SUTTON, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 2,049,058	\$ 1,795,563	\$ 1,240,103	\$ 1,192,407
Interest	1,630,491	1,568,727	912,968	867,890
Changes of benefit terms	(738,178)	-	574,690	-
Differences between expected and actual experience	(1,295,660)	-	9,140,420	-
Changes of assumptions	15,225,259	2,806,296	(424,468)	-
Benefit payments, including refunds of member contributions	<u>(802,472)</u>	<u>(789,796)</u>	<u>(682,954)</u>	<u>(326,299)</u>
Net change in total OPEB liability	16,068,498	5,380,790	10,760,759	1,733,998
Total OPEB liability - beginning	<u>44,411,245</u>	<u>39,030,455</u>	<u>28,269,696</u>	<u>26,535,698</u>
Total OPEB liability - ending (a)	60,479,743	44,411,245	39,030,455	28,269,696
Plan Fiduciary Net Position*				
Contributions - employer	1,222,472	1,176,796	837,954	431,299
Net investment income	43,560	81,047	48,262	59,099
Benefit payments, including refunds of member contributions	<u>(802,472)</u>	<u>(789,796)</u>	<u>(682,954)</u>	<u>(326,299)</u>
Net change in plan fiduciary net position	463,560	468,047	203,262	164,099
Plan fiduciary net position - beginning	<u>1,492,426</u>	<u>1,024,379</u>	<u>821,117</u>	<u>657,018</u>
Plan fiduciary net position - ending (b)	<u>1,955,986</u>	<u>1,492,426</u>	<u>1,024,379</u>	<u>821,117</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u><u>58,523,757</u></u>	\$ <u><u>42,918,819</u></u>	\$ <u><u>38,006,076</u></u>	\$ <u><u>27,448,579</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF SUTTON, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 60,479,743	\$ 44,411,245	\$ 39,030,455	\$ 28,269,696
Plan fiduciary net position	<u>1,955,986</u>	<u>1,492,426</u>	<u>1,024,379</u>	<u>821,117</u>
Net OPEB liability (asset)	<u>\$ 58,523,757</u>	<u>\$ 42,918,819</u>	<u>\$ 38,006,076</u>	<u>\$ 27,448,579</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.23%	3.36%	2.62%	2.90%
Covered employee payroll	\$ 17,281,206	\$ 16,725,712	\$ 16,130,529	\$ 17,738,791
Net OPEB liability as a percentage of covered employee payroll	338.66%	256.60%	235.62%	154.74%
Schedule of Contributions				
Actuarially determined contribution	\$ 3,611,307	\$ 3,350,026	\$ 2,239,805	\$ 1,682,197
Contributions in relation to the actuarially determined contribution	<u>1,222,472</u>	<u>1,176,796</u>	<u>837,954</u>	<u>431,299</u>
Contribution deficiency (excess)	<u>\$ 2,388,835</u>	<u>\$ 2,173,230</u>	<u>\$ 1,401,851</u>	<u>\$ 1,250,898</u>
Covered employee payroll	\$ 17,281,206	\$ 16,725,712	\$ 16,130,529	\$ 17,738,791
Contributions as a percentage of covered employee payroll	7.07%	7.04%	5.19%	2.43%
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	2.42%	6.25%	5.15%	8.00%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.



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

INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Sutton, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sutton, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control over Financial Reporting

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

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Andover, Massachusetts
January 19, 2021