

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF HOLLISTON, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information
Year Ended June 30, 2022



TOWN OF HOLLISTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Select Board
Town of Holliston, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holliston, Massachusetts, (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2022 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2023, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roselli Clark & Associates

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$85.1 million (total net position). The Town's total net position increased by approximately \$9.2 million in 2022. The net position in governmental activities increased over \$7.3 million while the net position in the business-type activities increased approximately \$1.9 million.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. At June 30, 2022, the total deficit in unrestricted net position was approximately \$33.0 million. This deficit is primarily the result of recording approximately \$54.4 million in long-term obligations associated with net other postemployment benefits, or OPEB, and net pension liabilities.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$38.7 million, which is approximately \$5.9 million greater than the prior year. The Town reported increases in the fund balances in each of its reported major governmental funds in fiscal year 2022.
- Of the ending fund balance in the Town's governmental funds, over \$13.0 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures or purposes.
- At the end of the current fiscal year, the unassigned fund balance for the general fund exceeded \$13.4 million, which represents over 19% of total fiscal year 2022 general fund expenditures. The June 30, 2022 total general fund balance of approximately \$14.9 million represented over 21% of total fiscal year 2022 general fund expenditures.
- The Town's total long-term debt in its governmental activities and business-type activities increased by approximately \$5.4 million in 2022. The Town completed an approximate \$8.3 million general obligation bond issuance in its water enterprise fund in May 2022. This issuance was offset by normal, scheduled repayments of long-term debt of nearly \$2.9 million. Town's total long-term debt was approximately \$13.5 million at June 30, 2022.
- In connection with the Town's May 2022 general obligation bond issuance, S&P affirmed the Town's AAA credit rating.
- Subsequent to year end, in July 2022 the Town repaid the entirety of its temporary debt, which was in the form of an approximate \$8.3 million bond anticipation note payable. Proceeds from the May 2022 general obligation bond issuance were used to fund the repayment.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the 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 of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its golf and water 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the community preservation fund and capital reserve fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its golf and water activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town’s sole fiduciary fund is the OPEB Trust Fund.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as a budget to actual comparison for the current year’s general fund operations.

Government-Wide Financial Statements Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021 (a)</u>	<u>June 30, 2022</u>	<u>June 30, 2021 (a)</u>	<u>June 30, 2022</u>	<u>June 30, 2021 (a)</u>
Assets:						
Current and other assets	\$ 47,806,855	\$ 42,595,056	\$ 20,898,310	\$ 10,613,881	\$ 68,705,165	\$ 53,208,937
Capital assets, net	<u>67,891,294</u>	<u>68,007,248</u>	<u>28,490,319</u>	<u>21,047,728</u>	<u>96,381,613</u>	<u>89,054,976</u>
Total Assets	<u>115,698,149</u>	<u>110,602,304</u>	<u>49,388,629</u>	<u>31,661,609</u>	<u>165,086,778</u>	<u>142,263,913</u>
Deferred Outflows of Resources	<u>14,431,891</u>	<u>8,033,509</u>	<u>200,486</u>	<u>153,691</u>	<u>14,632,377</u>	<u>8,187,200</u>
Liabilities:						
Long-term liabilities	56,279,485	53,128,697	11,635,607	4,342,256	67,915,092	57,470,953
Other liabilities	<u>7,204,835</u>	<u>8,671,744</u>	<u>10,187,329</u>	<u>1,729,181</u>	<u>17,392,164</u>	<u>10,400,925</u>
Total Liabilities	<u>63,484,320</u>	<u>61,800,441</u>	<u>21,822,936</u>	<u>6,071,437</u>	<u>85,307,256</u>	<u>67,871,878</u>
Deferred Inflows of Resources	<u>8,548,718</u>	<u>6,041,706</u>	<u>721,607</u>	<u>587,341</u>	<u>9,270,325</u>	<u>6,629,047</u>
Net Position:						
Net investment in capital assets	65,467,411	64,021,571	15,360,211	17,501,826	80,827,622	81,523,397
Restricted	25,661,167	19,474,475	3,107,717	2,310,276	28,768,884	21,784,751
Unrestricted	<u>(33,031,576)</u>	<u>(32,702,380)</u>	<u>8,576,644</u>	<u>5,344,420</u>	<u>(24,454,932)</u>	<u>(27,357,960)</u>
Total Net Position	<u>\$ 58,097,002</u>	<u>\$ 50,793,666</u>	<u>\$ 27,044,572</u>	<u>\$ 25,156,522</u>	<u>\$ 85,141,574</u>	<u>\$ 75,950,188</u>

(a) Balances in current and other assets as well as deferred inflows of resources were revised to conform to current year presentation.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased by nearly \$9.2 million in fiscal year 2022. The Town's net position has steadily increased in each of the past five fiscal years.

The largest portion (approximately \$80.8 million) of the Town's net position reflects its investment in capital assets, less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$28.8 million) represents resources that are subject to external restrictions on how they may be used. In the governmental activities, this balance approached \$25.7 million at June 30, 2022. In the business-type activities, the water enterprise reports approximately \$3.1 million in restricted net position for unspent infrastructure and other similar fees billed to users as part of users' regular utility bills.

The remaining balance is classified as unrestricted net position and is a deficit balance at both June 30, 2022 and 2021. The deficit balance in unrestricted net position in the governmental activities is primarily the result of the recording of net OPEB and pension liabilities, which at June 30, 2022, totaled approximately \$54.4 million and \$1.1 million in the governmental and business-type activities, respectively.

The condensed comparative statements of activities for the two most recent years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 5,676,701	\$ 4,442,965	\$ 4,668,757	\$ 4,773,521	\$ 10,345,458	\$ 9,216,486
Operating grants and contributions	22,098,143	25,794,639	-	-	22,098,143	25,794,639
Capital grants and contributions	2,009,396	39,228	-	-	2,009,396	39,228
General revenues:						
Property taxes	53,286,484	51,440,933	-	-	53,286,484	51,440,933
Excise taxes	2,632,658	2,601,714	-	-	2,632,658	2,601,714
Intergovernmental	1,739,552	1,644,407	-	-	1,739,552	1,644,407
Other	65,592	430,591	217,594	-	283,186	430,591
Total Revenues	87,508,526	86,394,477	4,886,351	4,773,521	92,394,877	91,167,998
Expenses:						
General government	5,307,961	4,731,754	-	-	5,307,961	4,731,754
Public safety	7,990,101	7,617,120	-	-	7,990,101	7,617,120
Education	59,253,469	62,373,953	-	-	59,253,469	62,373,953
Public works	4,802,619	4,270,226	-	-	4,802,619	4,270,226
Health and human services	1,301,983	1,257,276	-	-	1,301,983	1,257,276
Culture and recreation	1,499,522	1,462,714	-	-	1,499,522	1,462,714
Interest expense	109,535	206,477	-	-	109,535	206,477
Golf	-	-	122,326	83,345	122,326	83,345
Water	-	-	2,815,975	2,286,311	2,815,975	2,286,311
Total Expenses	80,265,190	81,919,520	2,938,301	2,369,656	83,203,491	84,289,176
Change in Net Position Before Transfers	7,243,336	4,474,957	1,948,050	2,403,865	9,191,386	6,878,822
Transfers	60,000	(790,000)	(60,000)	790,000	-	-
Change in Net Position	7,303,336	3,684,957	1,888,050	3,193,865	9,191,386	6,878,822
Net Position:						
Beginning of year	50,793,666	47,108,709	25,156,522	21,962,657	75,950,188	69,071,366
End of year	\$ 58,097,002	\$ 50,793,666	\$ 27,044,572	\$ 25,156,522	\$ 85,141,574	\$ 75,950,188

Governmental Activities – Total governmental activities’ revenues increased over \$1.1 million, or 1.3%, year-over-year. This increase was due primarily increases in revenues from capital grants and contributions, property taxes and charges for services, which increased nearly \$5.1 million in the aggregate. These increases were offset by an approximate \$3.7 million decrease in operating grants and contributions. The following summarizes the significant components of governmental activities’ revenues:

- Property taxes represented approximately 61% and 60% of total governmental activities revenues in fiscal years 2022 and 2021, respectively. Property tax revenues increased approximately \$1.8 million, or 3.6%, year-over-year. This increase was due primarily to normal statutory property tax increases and continued new growth.
- Operating grants and contributions represented approximately 25% and 30% of total governmental activities revenues in fiscal years 2022 and 2021, respectively. Operating grants and contributions decreased over \$3.7 million year-over-year. The majority of this decrease pertained to an approximate \$5.6 million decrease in revenues related to the Commonwealth’s funding of MTRS pensions on-behalf of the Town. This decrease was offset by a number of increased receipts relative to the continued mitigation of the effects of the COVID-19 pandemic.

- Capital grants and contributions increased nearly \$2.0 million, which was primarily the timing of receipts for roadway improvement projects funded by the Commonwealth.
- Charges for services increased nearly \$1.3 million, which was due primarily to the lifting of most COVID-19 related restrictions.

Total governmental activities' expenses decreased nearly \$1.7 million, or 2.0%, year-over-year. This decrease was due primarily to the \$5.6 million decrease in MTRS pensions on-behalf pension expense, which was previously described, together with a nearly \$0.6 million decrease in noncash postemployment benefits expenses related to pension and OPEB.

The Town's largest expense category is education, for which the Town continues to devote substantial resources. Education expenses totaled approximately 77% and 76% of fiscal year 2022 and 2021 governmental activities expenses, respectively. No other expense or dollar changes in expense were individually significant between fiscal 2022 and 2021.

Business-Type Activities – The Town reports the activities of its golf and water activities as business-type activities. Combined business-type revenues increased nearly \$113,000 year-over-year, while expenses increased by nearly \$569,000. Both the golf and water activities reported positive changes in net position of nearly \$1.9 million and \$3.2 million, respectively in fiscal year 2022.

Governmental Funds Financial Statements Analysis

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. 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.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$38.7 million, which was nearly \$5.9 million greater than the prior year. The Town reported increases in the fund balances in each of its reported major governmental funds in fiscal year 2022. Of the ending fund balance, approximately \$13.0 million is available for spending at the government's discretion as unassigned fund balance. The remainder is earmarked for specific expenditures or purposes.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund exceeded \$13.4 million, while total fund balance approached \$15.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents over 19% of total fiscal year 2022 general fund expenditures, while total fund balance represents over 21% of that same amount.

The Town maintains a community preservation fund, which is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes as well as historical preservation. The ending fund balance, which is classified as restricted, at June 30, 2022 was approximately \$3.9 million.

The capital reserve fund is used to accumulate financial resources that may Town Meeting may vote to supplement future capital projects. The ending fund balance, which is classified as committed, increased over \$1.8 million in fiscal year 2022 to approximately \$10.7 million at June 30, 2022. The Town maintains certain financial policies whereby it sets goals on specific funding levels for, among other areas, its capital reserve fund.

The remainder of the governmental funds are either restricted due to constraints placed externally by third-parties or reported as a deficit.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. At the end of the year, the net positions of the golf and water funds were approximately \$27.0 million in the aggregate. The net position in the golf fund increased nearly \$135,000 in fiscal year 2022 due to stronger revenues and the maturity of the bonds the Town used to purchase this property in fiscal year 2021. The net position in the water fund increased nearly \$1.8 million.

Fiduciary Funds – The Town reports the financial position and results of activities of its OPEB Trust in its fiduciary funds financial statements. The OPEB Trust fund’s net position increased nearly \$590,000 in fiscal year 2022. This increase was due to budgeted contributions of \$1.5 million in fiscal year 2022 offset by an investment loss of approximately \$910,000.

General Fund Budgetary Highlights

Differences between the original and final budget for the Town’s general fund were not significant in fiscal year 2022. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities at June 30, 2022 totaled approximately \$96.4 million, net of accumulated depreciation. In total, net capital assets increased over \$7.3 million in fiscal year 2022, as current year additions (primarily in the water fund) exceeded over \$4.3 million of depreciation expense.

Additional information on the Town’s capital assets can be found in the notes to the basic financial statements.

Long-Term Debt – At June 30, 2022, the Town had total long-term general obligation debt outstanding of approximately \$13.5 million, which represents an increase of approximately \$5.3 million from the prior year. The Town completed an approximate \$8.3 million general obligation bond issuance in its water enterprise fund in May 2022. This issuance was offset by normal, scheduled repayments of long-term debt of nearly \$2.9 million.

In connection with the Town’s May 2022 general obligation bond issuance, Standard & Poor’s Ratings Services, or S&P, affirmed the Town’s AAA credit rating.

Additional information on the Town’s long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- Net state aid for fiscal year 2023 is expected to approximate \$10.2 million.
- The Town enters fiscal year 2023 with the following financial reserves:
 - General stabilization funds of approximately \$8.6 million;
 - Pension stabilization funds of approximately \$0.3 million;
 - Capital reserves of approximately \$10.7 million; and
 - Certified free cash of \$3.7 million.
- Inflation is expected to affect the Town in several areas including increased capital acquisition costs and operating expenses.
- The median household income and home values within the Town significantly exceed the state-wide and national averages. Furthermore, the Town's unemployment rates are significantly better than both the state-wide and national averages.

The above items were considered when the Town approved its fiscal year 2023 budget in its May 2022 Annual Town Meeting. The Town expects to set its fiscal year 2023 tax rate in December 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 703 Washington Street, Holliston, MA 01746.

TOWN OF HOLLISTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 33,559,199	\$ 19,087,008	\$ 52,646,207
Investments	9,951,003	-	9,951,003
Receivables, net of allowances:			
Property taxes	1,362,535	-	1,362,535
Excise taxes	255,109	-	255,109
Departmental, user charges and other	157,084	1,392,991	1,550,075
Intergovernmental	1,673,532	-	1,673,532
Leases	836,622	418,311	1,254,933
Prepaid items	7,346	-	7,346
Inventories and other assets	4,425	-	4,425
Land	7,135,543	1,000,000	8,135,543
Construction in-progress	-	8,574,754	8,574,754
Depreciable capital assets, net	<u>60,755,751</u>	<u>18,915,565</u>	<u>79,671,316</u>
Total Assets	<u>115,698,149</u>	<u>49,388,629</u>	<u>165,086,778</u>
Deferred Outflows of Resources:			
Other postemployment benefits	13,303,495	149,168	13,452,663
Pensions	<u>1,128,396</u>	<u>51,318</u>	<u>1,179,714</u>
Total Deferred Outflows of Resources	<u>14,431,891</u>	<u>200,486</u>	<u>14,632,377</u>

(continued)

TOWN OF HOLLISTON, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities:			
Warrants and accounts payable	\$ 3,927,071	\$ 560,638	\$ 4,487,709
Accrued payroll and withholdings	1,189,056	2,348	1,191,404
Retainage payable	95,630	387,621	483,251
Accrued interest	12,078	217,037	229,115
Other liabilities	6,658	-	6,658
Deposits and escrows	376,674	-	376,674
Unearned revenues	872,622	-	872,622
Bond anticipation note payable	-	8,252,000	8,252,000
Noncurrent liabilities:			
Due within one year	725,046	767,685	1,492,731
Due in more than one year	56,279,485	11,635,607	67,915,092
Total Liabilities	<u>63,484,320</u>	<u>21,822,936</u>	<u>85,307,256</u>
Deferred Inflows of Resources:			
Taxes paid in advance	175,828	-	175,828
Leased property	836,622	418,311	1,254,933
Other postemployment benefits	1,151,063	12,907	1,163,970
Pensions	6,385,205	290,389	6,675,594
Total Deferred Inflows of Resources	<u>8,548,718</u>	<u>721,607</u>	<u>9,270,325</u>
Net Position:			
Net investment in capital assets	65,467,411	15,360,211	80,827,622
Restricted for:			
Expendable perpetual funds	1,678,528	-	1,678,528
Community preservation	3,939,122	-	3,939,122
Capital reserves	10,673,402	3,107,717	13,781,119
Other purposes	9,370,115	-	9,370,115
Unrestricted	(33,031,576)	8,576,644	(24,454,932)
Total Net Position	<u>\$ 58,097,002</u>	<u>\$ 27,044,572</u>	<u>\$ 85,141,574</u>
			<i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 5,307,961	\$ 807,575	\$ 1,702,625	\$ -	\$ (2,797,761)		\$ (2,797,761)
Public safety	7,990,101	1,685,895	264,848	-	(6,039,358)		(6,039,358)
Education	59,253,469	2,278,863	18,966,532	-	(38,008,074)		(38,008,074)
Public works	4,802,619	94,574	12,929	1,917,774	(2,777,342)		(2,777,342)
Health and human services	1,301,983	346,604	614,138	91,622	(249,619)		(249,619)
Culture and recreation	1,499,522	463,190	141,199	-	(895,133)		(895,133)
Interest expense	109,535	-	395,872	-	286,337		286,337
Total Governmental Activities	80,265,190	5,676,701	22,098,143	2,009,396	(50,480,950)		(50,480,950)
Business-Type Activities:							
Golf	122,326	317,315	-	-		\$ 194,989	194,989
Water	2,815,975	4,351,442	-	-		1,535,467	1,535,467
Total Business-Type Activities	2,938,301	4,668,757	-	-		1,730,456	1,730,456
Total Primary Government	\$ 83,203,491	\$ 10,345,458	\$ 22,098,143	\$ 2,009,396		1,730,456	(48,750,494)
General Revenues:							
Property taxes					53,286,484	-	53,286,484
Motor vehicle and other excise taxes					2,632,658	-	2,632,658
Grants and contributions not restricted to to specific programs					1,739,552	-	1,739,552
Penalties and interest on taxes					284,798	-	284,798
Unrestricted investment income (loss)					(219,206)	19,103	(200,103)
Other income					-	198,491	198,491
Transfers, net					60,000	(60,000)	-
Total General Revenues and Transfers					57,784,286	157,594	57,941,880
Change in Net Position					7,303,336	1,888,050	9,191,386
Net Position:							
Beginning of year					50,793,666	25,156,522	75,950,188
End of year					\$ 58,097,002	\$ 27,044,572	\$ 85,141,574

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Community Preservation Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 11,917,864	\$ 2,005,410	\$ 10,698,790	\$ 8,937,135	\$ 33,559,199
Investments	8,011,787	1,924,210	-	15,006	9,951,003
Receivables, net of allowances:					
Property taxes	1,351,712	10,823	-	-	1,362,535
Excise taxes	255,109	-	-	-	255,109
Departmental, user charges and other	112,445	-	-	44,639	157,084
Intergovernmental	-	-	-	1,673,532	1,673,532
Leases	-	-	418,311	418,311	836,622
Prepaid items	7,346	-	-	-	7,346
Inventories and other assets	4,425	-	-	-	4,425
Total Assets	21,660,688	3,940,443	11,117,101	11,088,623	47,806,855
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 21,660,688	\$ 3,940,443	\$ 11,117,101	\$ 11,088,623	\$ 47,806,855
Liabilities:					
Warrants and accounts payable	\$ 3,322,916	\$ -	\$ 25,388	\$ 578,767	\$ 3,927,071
Accrued payroll and withholdings	1,189,056	-	-	-	1,189,056
Retainage payable	-	-	-	95,630	95,630
Unearned revenues	-	-	-	872,622	872,622
Other liabilities	6,658	-	-	-	6,658
Deposits and escrows	376,674	-	-	-	376,674
Total Liabilities	4,895,304	-	25,388	1,547,019	6,467,711
Deferred Inflows of Resources:					
Taxes paid in advance	174,507	1,321	-	-	175,828
Leased property	-	-	418,311	418,311	836,622
Unavailable revenues - property taxes	1,293,475	10,823	-	-	1,304,298
Unavailable revenues - other	367,554	-	-	-	367,554
Total Deferred Inflows of Resources	1,835,536	12,144	418,311	418,311	2,684,302
Fund Balances:					
Nonspendable	11,771	-	-	-	11,771
Restricted	18,677	3,928,299	-	9,541,859	13,488,835
Committed	792,688	-	10,673,402	-	11,466,090
Assigned	683,648	-	-	-	683,648
Unassigned	13,423,064	-	-	(418,566)	13,004,498
Total Fund Balances	14,929,848	3,928,299	10,673,402	9,123,293	38,654,842
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,660,688	\$ 3,940,443	\$ 11,117,101	\$ 11,088,623	\$ 47,806,855

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 38,654,842
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.	67,891,294
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.	1,671,852
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows of resources - other postemployment benefits	13,303,495
Deferred outflows of resources - pensions	1,128,396
Deferred inflows of resources - other postemployment benefits	(1,151,063)
Deferred inflows of resources - pensions	<u>(6,385,205)</u>
Net effect of reporting deferred outflows and inflows of resources	6,895,623
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.	(12,078)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:	
Net other postemployment benefits liability	(37,007,490)
Net pension liability	(17,379,796)
Compensated absences	(343,379)
Bonds and notes payable	<u>(2,273,866)</u>
Net effect of reporting long-term liabilities	<u>(57,004,531)</u>
Net Position — Governmental Activities	<u>\$ 58,097,002</u>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

	General Fund	Community Preservation Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total
Revenues:					
Property taxes, net of tax refunds	\$ 52,889,352	\$ 633,644	\$ -	\$ -	\$ 53,522,996
Intergovernmental	16,675,451	262,418	-	8,837,636	25,775,505
Motor vehicle and other excise taxes	2,553,168	-	-	-	2,553,168
Licenses and permits	748,324	-	-	-	748,324
Penalties and interest on taxes	284,798	-	-	-	284,798
Fines and forfeitures	41,808	-	-	-	41,808
Departmental and other revenues	1,295,185	-	62,095	3,541,000	4,898,280
Contributions and donations	-	-	-	627,231	627,231
Investment income (loss)	(185,697)	(37,142)	(16,745)	20,378	(219,206)
Total Revenues	74,302,389	858,920	45,350	13,026,245	88,232,904
Expenditures:					
Current:					
General government	2,714,668	144,454	354,642	1,443,140	4,656,904
Public safety	4,687,823	-	190,113	859,038	5,736,974
Education	38,752,883	-	532,517	6,022,482	45,307,882
Public works	3,673,706	-	291,691	1,942,253	5,907,650
Health and human services	671,906	-	-	296,403	968,309
Culture and recreation	674,015	-	-	357,210	1,031,225
Pension and fringe benefits	15,703,009	-	-	-	15,703,009
State and county charges	727,576	-	-	-	727,576
Debt service:					
Principal	2,200,000	-	-	-	2,200,000
Interest	200,638	-	-	-	200,638
Total Expenditures	70,006,224	144,454	1,368,963	10,920,526	82,440,167
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,296,165	714,466	(1,323,613)	2,105,719	5,792,737
Other Financing Sources (Uses):					
Transfers in	112,118	-	3,164,994	-	3,277,112
Transfers out	(3,164,994)	-	-	(52,118)	(3,217,112)
Total Other Financing Sources (Uses)	(3,052,876)	-	3,164,994	(52,118)	60,000
Change in Fund Balances	1,243,289	714,466	1,841,381	2,053,601	5,852,737
Fund Balances:					
Beginning of the year	13,686,559	3,213,833	8,832,021	7,069,692	32,802,105
End of the year	\$ 14,929,848	\$ 3,928,299	\$ 10,673,402	\$ 9,123,293	\$ 38,654,842

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

Change in Fund Balances — Total Governmental Funds \$ 5,852,737

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	3,469,178	
Depreciation expense	<u>(3,585,132)</u>	
Net effect of reporting capital activity		(115,954)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (724,378)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Repayments of long-term debt	2,200,000	
Amortization of bond premiums	<u>67,456</u>	
Net effect of reporting long-term debt activity		2,267,456

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds:

Net other postemployment benefits liability	(1,857,905)	
Net pension liability	1,819,169	
Compensated absences	38,564	
Accrued interest	<u>23,647</u>	
Net effect of reporting long-term liabilities		<u>23,475</u>

Change in Net Position — Governmental Activities \$ 7,303,336

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

	Business-Type Activities		
	Golf	Water	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 504,412	\$ 18,582,596	\$ 19,087,008
User charges receivable	-	1,392,991	1,392,991
Lease receivable	-	39,098	39,098
Total Current Assets	504,412	20,014,685	20,519,097
Noncurrent Assets:			
Lease receivable	-	379,213	379,213
Land	1,000,000	-	1,000,000
Construction in-progress	-	8,574,754	8,574,754
Depreciable capital assets, net	1,129,917	17,785,648	18,915,565
Total Noncurrent Assets	2,129,917	26,739,615	28,869,532
Total Assets	2,634,329	46,754,300	49,388,629
Deferred Outflows of Resources:			
Other postemployment benefits	-	149,168	149,168
Pensions	-	51,318	51,318
Total Deferred Outflows of Resources	-	200,486	200,486

(continued)

TOWN OF HOLLISTON, MASSACHUSETTS

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

	Business-Type Activities		
	Golf	Water	Total
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	\$ -	\$ 560,638	\$ 560,638
Accrued payroll and withholdings	-	2,348	2,348
Retainage payable	-	387,621	387,621
Accrued interest	-	217,037	217,037
Bond anticipation note payable	-	8,252,000	8,252,000
Current portion of long-term debt	-	767,685	767,685
Total Current Liabilities	-	10,187,329	10,187,329
Noncurrent liabilities:			
Net other postemployment benefits liability	-	414,953	414,953
Net pension liability	-	790,404	790,404
Long-term debt	-	10,430,250	10,430,250
Total Noncurrent Liabilities	-	11,635,607	11,635,607
Total Liabilities	-	21,822,936	21,822,936
Deferred Inflows of Resources:			
Leased property	-	418,311	418,311
Other postemployment benefits	-	12,907	12,907
Pensions	-	290,389	290,389
Total Deferred Inflows of Resources	-	721,607	721,607
Net Position:			
Net investment in capital assets	2,129,917	13,230,294	15,360,211
Restricted	-	3,107,717	3,107,717
Unrestricted	504,412	8,072,232	8,576,644
Total Net Position	\$ 2,634,329	\$ 24,410,243	\$ 27,044,572

(concluded)

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	Business-Type Activities		
	Golf	Water	Total
Operating Revenues:			
Charges for services	\$ 317,315	\$ 4,351,442	\$ 4,668,757
Other operating revenues	-	198,491	198,491
Total Operating Revenues	317,315	4,549,933	4,867,248
Operating Expenses:			
Payroll and personnel costs	-	908,456	908,456
Operating costs	65,725	950,875	1,016,600
Depreciation	56,601	697,916	754,517
Total Operating Expenses	122,326	2,557,247	2,679,573
Operating Income	194,989	1,992,686	2,187,675
Nonoperating Revenues (Expenses):			
Investment income	-	19,103	19,103
Interest expenses	-	(258,728)	(258,728)
Total Nonoperating Revenues (Expenses)	-	(239,625)	(239,625)
Income Before Transfers	194,989	1,753,061	1,948,050
Transfers:			
Transfers out	(60,000)	-	(60,000)
Total Transfers	(60,000)	-	(60,000)
Change in Net Position	134,989	1,753,061	1,888,050
Net Position:			
Beginning of the year	2,499,340	22,657,182	25,156,522
End of the year	\$ 2,634,329	\$ 24,410,243	\$ 27,044,572

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

	Business-Type Activities		
	Golf	Water	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 317,315	\$ 4,341,979	\$ 4,659,294
Receipts from other operating revenues	-	198,491	198,491
Payments to employees	-	(986,608)	(986,608)
Payments to vendors	(65,725)	(1,097,232)	(1,162,957)
Net Cash Provided By Operating Activities	251,590	2,456,630	2,708,220
Cash Flows from Noncapital Financial Activities:			
Transfers out	(60,000)	-	(60,000)
Net Cash Used In Noncapital Financing Activities	(60,000)	-	(60,000)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the issuance of long-term debt	-	8,125,000	8,125,000
Proceeds from the issuance of short-term debt	-	8,252,000	8,252,000
Premiums received on debt issuances	-	127,000	127,000
Acquisition and construction of capital assets	(56,250)	(8,140,858)	(8,197,108)
Principal repayments on long-term debt	-	(599,967)	(599,967)
Interest payments	-	(63,785)	(63,785)
Net Cash Used In Capital and Related Financing Activities	(56,250)	7,699,390	7,643,140
Cash Flow from Investing Activities:			
Interest income	-	19,103	19,103
Net Cash Provided By Investing Activities	-	19,103	19,103
Change in Cash and Cash Equivalents	135,340	10,175,123	10,310,463
Cash and Cash Equivalents:			
Beginning of the year	369,072	8,407,473	8,776,545
End of the year	\$ 504,412	\$ 18,582,596	\$ 19,087,008

(continued)

TOWN OF HOLLISTON, MASSACHUSETTS

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

	<u>Business-Type Activities</u>		
	<u>Golf</u>	<u>Water</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating Income	\$ 194,989	\$ 1,992,686	\$ 2,187,675
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation expense	56,601	697,916	754,517
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	-	(9,463)	(9,463)
Warrants payable and other current liabilities	-	(156,513)	(156,513)
Accrued and deferred benefits payable	-	(67,996)	(67,996)
Net Cash Provided By Operating Activities	<u>\$ 251,590</u>	<u>\$ 2,456,630</u>	<u>\$ 2,708,220</u>
			<i>(concluded)</i>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

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

	<u>OPEB Trust</u>
Assets:	
Investments in SRBT	\$ <u>22,436,297</u>
Total Assets	<u>22,436,297</u>
Liabilities:	
Warrants and accounts payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position Restricted for Other Postemployment Benefits	<u>22,436,297</u>
Total Net Position	<u>\$ <u>22,436,297</u></u>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>OPEB Trust</u>
Additions:	
Employer contributions	\$ 3,957,262
Investment income:	
Interest and dividends	575,189
Net depreciation in fair value of investments	(1,360,064)
Less investment management fees	<u>(125,480)</u>
Total net investment income	<u>(910,355)</u>
Total Additions	<u>3,046,907</u>
Deductions:	
Benefits to retirees	<u>2,457,262</u>
Total Deductions	<u>2,457,262</u>
Change in Net Position	589,645
Net Position:	
Beginning of the year	<u>21,846,652</u>
End of the year	<u>\$ 22,436,297</u>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is located in Middlesex County and is approximately twenty-five miles southwest of Boston. The Town was incorporated as a town on December 3, 1724. The governing structure utilizes an open town meeting format with an elected three-member Select Board and an appointed Town Administrator, who oversees the Town’s daily executive and administrative duties. Select Board members serve three-year staggered terms.

The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education from kindergarten to grade twelve, water services, street maintenance, library, parks and recreational facilities, including a municipal golf course. The golf and water activities are self-funded and treated as business enterprises in the basic financial statements.

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

B. Government-Wide and Fund Financial Statements

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

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

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

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. The effect of material interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments, which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The Town reports the following major governmental funds:

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

Community Preservation Fund – is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes as well as historical preservation.

Capital Reserve Fund – is used to accumulate financial resources that may, through a Town Meeting vote, be used to supplement future capital projects.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports its golf and water activities as major proprietary funds.

Fiduciary fund financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for government programs. The Town reports its Other Postemployment Benefits Trust Fund as a fiduciary fund. This fund is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits, or OPEB, to retirees, such as medical and life insurance.

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

The remaining investments not categorized under the fair value hierarchy as shown as being valued at either amortized cost or at net asset value (“NAV”). These are investments in non-governmental entities for which readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, construction in-progress, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Capital assets (excluding land and construction in-progress) are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	25 to 50 years
Structures and improvements	50 years
Equipment, furniture, fixtures and vehicles	3 to 25 years

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

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

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as transfers, net.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

Unearned Revenues – Amounts collected in advance from federal and state grants are reported as unearned revenues if material.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the net OPEB liability. These deferred outflows of resources are expected to be amortized into expense over the next six years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In its governmental funds financial statements, the Town reports property taxes paid in advance and unavailable revenue as deferred inflows of resources; these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, within those stated deferred inflows of resources related to leased property in the governmental funds are reported will be recognized into revenue over the next fourteen years. In its government-wide statement of net position, the Town continues to report deferred inflows related to property taxes paid in advance and leased property, and also adds changes relative to net OPEB liability and net pension liability. The Town expects to recognize deferred inflows of resources related to OPEB and pension as reductions to benefits expense within the next six years.

Net Position – In the government-wide financial statements, net position reported as net investment in capital assets includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

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

Expendable perpetual funds represent the spendable portion of donor restricted trusts that support governmental programs.

Community preservation funds represent financial resources accumulated for community and historical preservation projects.

Capital reserve funds represent financial resources accumulated for future capital asset purchases or major capital projects.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – The Town presents its fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

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

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

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Select Board or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the Town’s governmental funds, primarily its general fund.

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's investment policy does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2022, all of the Town's bank deposits were fully insured by the federal depository insurance or other depositors' insurance or third-party collateralization.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Town's investments, while held by a counterparty, are registered in the Town's name and are therefore not exposed to custodial credit risk. Furthermore, portions of the Town's investments are held in accounts insured by the Securities Investor Protection Corporation.

Fair Value Measurements: Investments – The following table presents the Town's investments carried at fair value on a recurring basis at June 30, 2022:

	Totals	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by Fair Value Level</u>				
Debt securities:				
U.S. Treasury notes	\$ 2,737,869	\$ 2,737,869	\$ -	\$ -
U.S. Government agency obligations	466,682	-	466,682	-
Corporate bonds	4,386,887	-	4,386,887	-
Total debt securities	<u>7,591,438</u>	<u>2,737,869</u>	<u>4,853,569</u>	<u>-</u>
Equity securities	<u>1,261,096</u>	<u>1,261,096</u>	-	-
Total investments by fair value level	<u>8,852,534</u>	<u>\$ 3,998,965</u>	<u>\$ 4,853,569</u>	<u>\$ -</u>
<u>Investments Measured at Amortized Cost</u>				
Mutual funds	783,526			
State Retirees Benefit Trust Fund	<u>22,751,240</u>			
Total investments measured at fair value	<u>\$ 32,387,300</u>			

The State Retirees Benefit Trust Fund (“SRBT”) is administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The SRBT holds a diverse set of investments that include private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the SRBT are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The Town may liquidate its investments in the SRBT funds at any time with less than thirty days’ notice. Distributions from the SRBT funds are received regularly and deposited into an accompanying short-term cash investment account.

Concentration of Credit Risk: Investments – The Town’s investment in SRBT represents approximately 70% of the Town’s total investments at June 30, 2022. No other individual investment exceeded 5% of the Town’s total investments at June 30, 2022.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town’s investment policy does not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Town mitigates this risk by generally limiting the average maturity of its deposits to twelve months or less.

At June 30, 2022, the Town had the following investments:

Investments	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. Government obligations	\$ 3,204,551	\$ 1,189,090	\$ 1,912,120	\$ 103,341
Corporate bonds	4,386,887	388,139	3,553,156	445,592
Total investments with maturities	7,591,438	\$ 1,577,229	\$ 5,465,276	\$ 548,933
Other investments:				
Equity securities	1,261,096			
Mutual funds	783,526			
State Retirees Benefits Trust Fund	22,751,240			
Total Investments	\$ 32,387,300			

The Town classifies money market accounts and certificates of deposit as cash equivalents due to the liquid nature of these instruments.

Credit Risk: Investments – This is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Town’s investment policy seeks to mitigate this risk through diversification. The following table summarizes the credit ratings assigned by Moody’s Investor Services for Town investments in fixed income securities at June 30, 2022:

<u>Credit Rating</u>	U.S.	
	<u>Government Obligations</u>	<u>Corporate Bonds</u>
Aaa	\$ 3,204,551	\$ -
A1	-	454,893
A2	-	888,755
A3	-	156,735
Baa1	-	1,224,025
Baa2	-	1,662,479
Totals	<u>\$ 3,204,551</u>	<u>\$ 4,386,887</u>

B. Receivables

Receivables as of June 30, 2022, for the Town’s major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Property taxes	\$ 568,427	\$ -	\$ 568,427
Tax liens	794,108	-	794,108
Motor vehicle excise taxes	255,109	-	255,109
Ambulance	242,250	(135,100)	107,150
Departmental	49,934	-	49,934
Intergovernmental	1,673,532	-	1,673,532
Leases	<u>836,622</u>	<u>-</u>	<u>836,622</u>
Totals	<u>\$ 4,419,982</u>	<u>\$ (135,100)</u>	<u>\$ 4,284,882</u>

The Town did not report any allowances for uncollectible accounts in the business-type activities.

Governmental funds report unavailable revenue as a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current accounting period. The following table identifies the components of unavailable revenues at June 30, 2022 in the governmental funds:

	General Fund	Community Preservation Fund	Total
Property taxes	\$ 505,241	\$ 4,949	\$ 510,190
Tax liens	788,234	5,874	794,108
Motor vehicle excise taxes	255,109	-	255,109
Departmental	5,295	-	5,295
Ambulance	107,150	-	107,150
Totals	\$ 1,553,879	\$ 10,823	\$ 1,671,852

Lease Receivables – The Town leases property to a number of lessors with lease terms ranging from five to twenty years. Lease receivables have been recorded in the Town’s capital reserve, nonmajor governmental funds, and water enterprise fund. The net present value of future receipts from the leased properties totaled \$418,311 in each of these three funds at June 30, 2022 and are reported as lease receivables. Lease revenues of \$35,497 and interest income of \$19,103 related to these lease transactions were reported in each of these three funds in fiscal year 2022.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,135,543	\$ -	\$ -	\$ 7,135,543
Capital assets being depreciated:				
Buildings and improvements	85,052,143	845,624	-	85,897,767
Infrastructure	15,200,009	2,131,702	-	17,331,711
Machinery and equipment	8,448,421	312,163	(265,467)	8,495,117
Vehicles	3,659,912	179,689	(173,868)	3,665,733
Total capital assets being depreciated	112,360,485	3,469,178	(439,335)	115,390,328
Less accumulated depreciation for:				
Buildings and improvements	(41,501,033)	(2,192,753)	-	(43,693,786)
Infrastructure	(3,108,552)	(443,909)	-	(3,552,461)
Machinery and equipment	(4,621,733)	(650,433)	265,467	(5,006,699)
Vehicles	(2,257,462)	(298,037)	173,868	(2,381,631)
Total accumulated depreciation	(51,488,780)	(3,585,132)	439,335	(54,634,577)
Total capital assets being depreciated, net	60,871,705	(115,954)	-	60,755,751
Governmental Activities Capital Assets, Net	\$ 68,007,248	\$ (115,954)	\$ -	\$ 67,891,294

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Combined:</u>				
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in-progress	<u>2,212,264</u>	<u>7,401,651</u>	<u>(1,039,161)</u>	<u>8,574,754</u>
Total capital assets not being depreciated	<u>3,212,264</u>	<u>7,401,651</u>	<u>(1,039,161)</u>	<u>9,574,754</u>
Capital assets being depreciated:				
Buildings and improvements	16,833,308	56,250	-	16,889,558
Infrastructure	9,741,221	1,778,368	-	11,519,589
Machinery and equipment	1,202,589	-	-	1,202,589
Vehicles	<u>394,835</u>	<u>-</u>	<u>-</u>	<u>394,835</u>
Total capital assets being depreciated	<u>28,171,953</u>	<u>1,834,618</u>	<u>-</u>	<u>30,006,571</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,142,447)	(414,292)	-	(8,556,739)
Infrastructure	(1,244,907)	(239,133)	-	(1,484,040)
Machinery and equipment	(711,199)	(70,522)	-	(781,721)
Vehicles	<u>(237,936)</u>	<u>(30,570)</u>	<u>-</u>	<u>(268,506)</u>
Total accumulated depreciation	<u>(10,336,489)</u>	<u>(754,517)</u>	<u>-</u>	<u>(11,091,006)</u>
Total capital assets being depreciated, net	<u>17,835,464</u>	<u>1,080,101</u>	<u>-</u>	<u>18,915,565</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,047,728</u>	<u>\$ 8,481,752</u>	<u>\$ (1,039,161)</u>	<u>\$ 28,490,319</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Golf</u>				
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Capital assets being depreciated:				
Buildings and improvements	<u>2,067,676</u>	<u>56,250</u>	<u>-</u>	<u>2,123,926</u>
Total capital assets being depreciated	<u>2,067,676</u>	<u>56,250</u>	<u>-</u>	<u>2,123,926</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>(937,408)</u>	<u>(56,601)</u>	<u>-</u>	<u>(994,009)</u>
Total accumulated depreciation	<u>(937,408)</u>	<u>(56,601)</u>	<u>-</u>	<u>(994,009)</u>
Total capital assets being depreciated, net	<u>1,130,268</u>	<u>(351)</u>	<u>-</u>	<u>1,129,917</u>
Total Golf	<u>\$ 2,130,268</u>	<u>\$ (351)</u>	<u>\$ -</u>	<u>\$ 2,129,917</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities: Water				
Capital assets not being depreciated:				
Construction in-progress	\$ 2,212,264	\$ 7,401,651	\$ (1,039,161)	\$ 8,574,754
Capital assets being depreciated:				
Buildings and improvements	14,765,632	-	-	14,765,632
Infrastructure	9,741,221	1,778,368	-	11,519,589
Machinery and equipment	1,202,589	-	-	1,202,589
Vehicles	394,835	-	-	394,835
Total capital assets being depreciated	<u>26,104,277</u>	<u>1,778,368</u>	<u>-</u>	<u>27,882,645</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,205,039)	(357,691)	-	(7,562,730)
Infrastructure	(1,244,907)	(239,133)	-	(1,484,040)
Machinery and equipment	(711,199)	(70,522)	-	(781,721)
Vehicles	(237,936)	(30,570)	-	(268,506)
Total accumulated depreciation	<u>(9,399,081)</u>	<u>(697,916)</u>	<u>-</u>	<u>(10,096,997)</u>
Total capital assets being depreciated, net	<u>16,705,196</u>	<u>1,080,452</u>	<u>-</u>	<u>17,785,648</u>
Total Water	<u>\$ 18,917,460</u>	<u>\$ 8,482,103</u>	<u>\$ (1,039,161)</u>	<u>\$ 26,360,402</u>

For the fiscal year ended June 30, 2022, depreciation expense was charged to functions/programs within governmental activities as follows:

General government	\$ 217,418
Public safety	609,302
Education	1,926,285
Public works	681,687
Health and human services	30,743
Culture and recreation	<u>119,697</u>
Total	<u>\$ 3,585,132</u>

D. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2022 were as follows:

Transfers Out	Transfers In		Totals	
	General Fund	Capital Reserve Fund		
General Fund	\$ -	\$ 3,164,994	\$ 3,164,994	(1)
Nonmajor Governmental Funds	52,118	-	52,118	(2)
Golf Fund	60,000	-	60,000	(3)
Totals	<u>\$ 112,118</u>	<u>\$ 3,164,994</u>	<u>\$ 3,277,112</u>	

- (1) Budgeted transfers of \$3,150,000 and the transfer of \$14,994 in closed articles.
- (2) Transfer of closed capital projects to the general fund.
- (3) Transfer from golf enterprise to general fund for indirect costs.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund current operating costs through revenue or tax anticipation notes or capital projects and other approved costs through bond anticipation notes (“BANs”) or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law.

The following table summarizes the temporary note activity for the Town during the fiscal year ended June 30, 2022:

Type	Interest Rate	Maturity Date	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
BAN	2.00%	7/22/22	<u>\$ -</u>	<u>\$ 8,252,000</u>	<u>\$ -</u>	<u>\$ 8,252,000</u>

There BAN was issued in the water enterprise fund to fund the construction of a water treatment facility. The Town repaid the BAN in July 2022 with the proceeds of a May 2022 general obligation bond issuance.

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to personnel costs. The following reflects the changes in long-term liabilities for the year ended June 30, 2022:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 4,270,000	\$ -	\$ (2,200,000)	\$ 2,070,000	\$ 530,000
Unamortized bond premium	271,322	-	(67,456)	203,866	57,694
Compensated absences	381,943	-	(38,564)	343,379	137,352
Net OPEB liability	26,664,860	21,663,284	(11,320,654)	37,007,490	-
Net pension liability	23,960,805	4,062,708	(10,643,717)	17,379,796	-
Total Governmental Activities	<u>\$ 55,548,930</u>	<u>\$ 25,725,992</u>	<u>\$ (24,270,391)</u>	<u>\$ 57,004,531</u>	<u>\$ 725,046</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	\$ 1,650,000	\$ 8,125,000	\$ (470,000)	\$ 9,305,000	\$ 630,000
Unamortized bond premium	36,606	127,000	(14,915)	148,691	20,132
Direct borrowings and placements	1,859,296	-	(115,052)	1,744,244	117,553
Net OPEB liability	306,624	249,439	(141,110)	414,953	-
Net pension liability	1,089,697	184,678	(483,971)	790,404	-
Total Business-Type Activities - Water	<u>\$ 4,942,223</u>	<u>\$ 8,686,117</u>	<u>\$ (1,225,048)</u>	<u>\$ 12,403,292</u>	<u>\$ 767,685</u>

The liabilities in the governmental activities will be liquidated by the general fund. The business-type liabilities will be liquidated by the enterprise fund reporting the liabilities.

General obligation bonds and notes payable outstanding at June 30, 2022 were as follows:

Description	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 4,270,000	\$ -	\$ (2,200,000)	\$ 2,070,000
Add: Unamortized bond premium		271,322	-	(67,456)	203,866
Total Governmental Activities, net		<u>\$ 4,541,322</u>	<u>\$ -</u>	<u>\$ (2,267,456)</u>	<u>\$ 2,273,866</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	3.00 - 5.0%	\$ 1,650,000	\$ 8,125,000	\$ (470,000)	\$ 9,305,000
MCWT Note	2.00%	1,859,296	-	(115,052)	1,744,244
Total Water		3,509,296	8,125,000	(585,052)	11,049,244
Add: Unamortized bond premium		36,606	127,000	(14,915)	148,691
Total Business-Type Activities, net		<u>\$ 3,545,902</u>	<u>\$ 8,252,000</u>	<u>\$ (599,967)</u>	<u>\$ 11,197,935</u>

Debt service requirements on long-term debt at June 30, 2022 were as follows:

Year Ended June 30,	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2023	\$ 530,000	\$ 94,630
2024	300,000	73,650
2025	300,000	58,650
2026	300,000	43,650
2027	305,000	28,650
2028 - 2029	335,000	20,000
Totals	<u>\$ 2,070,000</u>	<u>\$ 319,230</u>

Year Ended June 30,	Business-Type Activities: Water			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2023	\$ 630,000	\$ 343,474	\$ 117,553	\$ 34,885
2024	625,000	316,750	120,108	32,534
2025	615,000	294,600	122,718	30,132
2026	610,000	272,600	125,385	27,677
2027	325,000	253,500	128,110	25,170
2028 - 2032	1,625,000	1,030,250	683,546	86,283
2033 - 2037	1,625,000	746,688	446,824	18,001
2038 - 2042	1,625,000	485,063	-	-
2043 - 2047	1,625,000	192,563	-	-
Totals	<u>\$ 9,305,000</u>	<u>\$ 3,935,488</u>	<u>\$ 1,744,244</u>	<u>\$ 254,682</u>

Authorized and Unissued Debt – At June 30, 2022, there were no long-term debt amounts authorized but unissued.

G. Excess of Expenditures Over Appropriations and Deficits

The Town did not incur any material fund or appropriation deficits during the year.

There were several revolving funds that reported deficit fund balances at June 30, 2022, for which future grant receipts and/or other revenue sources are expected to remedy these deficits.

H. Fund Balances

The components of fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 are detailed as follows:

	General	Community Preservation Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory and prepaid items	\$ 11,771	\$ -	\$ -	\$ -	\$ 11,771
Restricted:					
Expendable trust funds	-	-	-	1,678,528	1,678,528
General government	-	3,928,299	-	238,820	4,167,119
Public safety	-	-	-	803,002	803,002
Education	-	-	-	5,800,547	5,800,547
Public works	-	-	-	46,113	46,113
Health and human services	-	-	-	140,066	140,066
Culture and recreation	-	-	-	834,783	834,783
Debt service	18,677	-	-	-	18,677
Committed:					
General government	230,878	-	-	-	230,878
Public safety	58,956	-	-	-	58,956
Education	81,201	-	-	-	81,201
Public works	106,710	-	-	-	106,710
Pension reserve	314,943	-	-	-	314,943
Capital outlay	-	-	10,673,402	-	10,673,402
Assigned:					
General government	37,032	-	-	-	37,032
Education	515,319	-	-	-	515,319
Public works	121,280	-	-	-	121,280
Other purposes	10,017	-	-	-	10,017
Unassigned:					
General stabilization	8,629,729	-	-	-	8,629,729
Unrestricted	4,793,335	-	-	(418,566)	4,374,769
Totals	<u>\$ 14,929,848</u>	<u>\$ 3,928,299</u>	<u>\$ 10,673,402</u>	<u>\$ 9,123,293</u>	<u>\$ 38,654,842</u>

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the stabilization is reported in the unassigned fund balance in the general fund. A pension reserve stabilization fund was established in fiscal year 2021 and is reported as a component of the committed fund balance in the general fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$477,745 of encumbrances from Town Meeting in the general fund as committed and \$683,648 of encumbrances from normal purchasing activity as assigned at June 30, 2022. There are no encumbrances reported in other funds.

I. Economic Dependence and Concentrations

During the year ended June 30, 2022, approximately 22% of revenues of the general fund were recognized from the Commonwealth of Massachusetts as well as the federal government.

A single taxpayer represented approximately \$322,000, or 41%, of the total tax title receivable balance at June 30, 2022. A significant portion of this tax title receivable is aged over five years.

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Middlesex Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Middlesex Regional Retirement Board (the “Retirement Board”). Stand-alone audited financial statements for the year ended December 31, 2021 were issued and are available by submitting a request to the Retirement System at 25 Linnell Circle, Billerica, Massachusetts 01821.

Current membership in the Retirement System as of December 31, 2021 was as follows:

Active members	9,432
Inactive members	3,581
Disabled members	403
Retirees and beneficiaries	<u>6,284</u>
	<u><u>19,700</u></u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from one retirement system to another. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012, or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.
- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in the current fiscal year.

Contributions Requirements – Under current MGL participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. The Retirement System is required to be fully funded by June 30, 2040.

The Town contributed \$2,589,575 to the Retirement System in fiscal year 2022, which equaled its actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll were approximately 22% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$18,170,200 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 and rolled back to December 31, 2021, the measurement date. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were a number of changes in actuarial assumptions in fiscal year 2022; the most notable assumption change was a reduction in the discount rate from 7.30% to 7.15%.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.36% at December 31, 2021 versus approximately 1.64% at December 31, 2020.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2021, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$687,673 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 309,666	\$ -
Changes of assumptions	646,978	-
Net difference between projected and actual earnings on pension plan investments	-	3,089,443
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>223,070</u>	<u>3,586,151</u>
	<u>\$ 1,179,714</u>	<u>\$ 6,675,594</u>

The deferred outflows of resources at June 30, 2022 are expected to be recognized in the Town's pension expense (income) as follows:

Year Ended June 30,	Amount
2023	\$ (1,094,841)
2024	(1,682,588)
2025	(1,489,246)
2026	<u>(1,229,205)</u>
Total	<u>\$ (5,495,880)</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The significant actuarial assumptions used in the latest actuarial valuation included:

Actuarial Cost Method	Entry age normal cost method
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal 2022 through fiscal 2028, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments
Projected Salary Increases	Varies by length of service with ultimate rate of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of Living Adjustments	3.00% of the first \$16,000 of retirement income.
Investment Rate of Return	7.15% (previously 7.30%)
Pre-Retirement Mortality Rates	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021
Post-Retirement Mortality Rates	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021
Disabled Retiree Mortality Rates	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021

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 returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.00%	6.11%
International equity	11.50%	6.49%
Emerging markets equity	4.50%	8.12%
Core fixed income	15.00%	0.38%
High-yield fixed income	8.00%	3.72%
Real estate	10.00%	3.72%
Timber	4.00%	3.44%
Hedge funds, GTAA, risk parity	11.00%	2.63%
Private equity	13.00%	9.93%

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2021 was 7.15%, which is a reduction from the previous discount rate of 7.3%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.15%	\$ 23,503,752	\$ 18,170,220	\$ 13,678,135

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of MGL. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is in a special funding situation as defined under GAAP.

For the year ended June 30, 2022, the Commonwealth contributed \$5,376,234 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was approximately 0.31%, which was based on the actual, actuarially-determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Town at June 30, 2022 was \$69,819,078.

The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2022 was \$5,602,690. This amount has been recognized by the Town as intergovernmental revenue and pension expense in the statement of activities and statement of revenues, expenditures and changes in fund balances for the year ended June 30, 2022.

C. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history. All insurance except medical is carried through conventional, commercial carriers.

The Town is a member of the West Suburban Health Group ("WSHG"), a public entity risk pool established in accordance with MGL. WSHG is a common risk management and insurance program servicing thirteen towns, two educational collaborative and one school district. The Town pays a monthly premium to WSHG for its health insurance coverage for all active and retired employees. The Municipal Health Group Agreement for Joint Negotiation and Purchase of Health Coverage provides that WSHG will be self-insured through member assessments and will reinsure through commercial companies for claims in excess of \$100,000 per individual policy year. Town management and WSHG believe that member assessments are adequate to meet all claims incurred but not reported as of June 30, 2022.

D. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Chapter 32B of MGL.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

Inactive employees or beneficiaries receiving benefits	393
Active employees	<u>654</u>
	<u>1,047</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute between 40% and 50% of the calculated contribution through pension benefit deductions and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions, which were \$1,500,000 in fiscal year 2022. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was approximately 9% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2021 and a measurement date of June 30, 2022. The components of the net OPEB liability at June 30, 2022 were as follows:

Total other postemployment benefits liability	\$ 59,858,740
Plan fiduciary net position	<u>(22,436,297)</u>
Net other postemployment benefits liability	<u>\$ 37,422,443</u>
Plan fiduciary net position as a percentage of total other postemployment benefits liability	37.5%

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

Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value of assets as of reporting date
Inflation	2.5%
Healthcare Cost Trends	8.0% for 2022 grading down to 4.38% in 2050 and ultimate rate of 3.63%
Single Equivalent Discount Rate	6.41% (previously 6.75%)
Pre-retirement Mortality	RP-2014 Blue Collar Mortality Table projected generationally with scale MP-2016, set forward one year for females (non-teachers only)
Post-retirement Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2016, set forward one year for females (non-teachers only)
Disabled Mortality	RP-2014 Blue Collard Healthy Annuitant Table projected generationally for scale MP-2016, set forward one year for females (non-teachers only)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities - large cap	14.50%	4.42%
Domestic equities - small/mid cap	3.50%	4.81%
International equities - developed markets	16.00%	4.91%
International equities - emerging markets	6.00%	5.58%
Fixed income - domestic	20.00%	1.00%
Fixed income - international	3.00%	1.04%
Alternatives	23.00%	5.98%
Real estate	<u>14.00%</u>	<u>6.25%</u>
Total	<u>100.00%</u>	
Real rate of return		4.41%
Inflation assumption		<u>2.50%</u>
Total nominal return		6.91%
Less investment expense		<u>-0.50%</u>
Net investment return		<u>6.41%</u>

Discount Rate – The discount rate used to measure the total OPEB liability was 6.41% (previously 6.75%), which represents the long-term expected rate of return on OPEB Plan investments to the extent that the OPEB Plan’s assets are sufficient to pay benefits.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 48,818,136	\$ 21,846,652	\$ 26,971,484
Changes for the year:			
Service cost	1,320,512	-	1,320,512
Interest	3,302,780	-	3,302,780
Changes in assumptions	10,220,250	-	10,220,250
Experience differences	(1,345,676)	-	(1,345,676)
Employer contributions	-	3,957,262	(3,957,262)
Net investment income (loss)	-	(910,355)	910,355
Benefit payments	(2,457,262)	(2,457,262)	-
Net changes	11,040,604	589,645	10,450,959
Balances at June 30, 2022	\$ 59,858,740	\$ 22,436,297	\$ 37,422,443

Sensitivity Analyses – The following presents the Town’s net OPEB liability at June 30, 2022 as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current discount rate:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
6.41%	\$ 45,604,771	\$ 37,422,443	\$ 30,726,357

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

Health Insurance Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
8.00%	\$ 30,000,638	\$ 37,422,443	\$ 46,564,327

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$5,829,904. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 327,515	\$ 1,163,970
Changes of assumptions	13,119,987	-
Net difference between projected and actual earnings on OPEB Plan investments	<u>5,161</u>	<u>-</u>
	<u>\$ 13,452,663</u>	<u>\$ 1,163,970</u>

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

Year Ended	
June 30,	Amount
	<u> </u>
2023	\$ 2,794,158
2024	2,295,603
2025	2,066,268
2026	2,625,310
2027	1,463,284
Thereafter	<u>1,044,070</u>
Total	<u>\$ 12,288,693</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan. Additionally, the Town has appointed a board of trustees for the OPEB Plan who are responsible for the general supervision of the management, investment and reinvestment of OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule and may. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town. The Town invests all its OPEB Plan assets with the SRBT.

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -3.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Commitments and Contingencies

Litigation – The Town is party to certain legal claims, which are subject to many uncertainties and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2022, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). At June 30, 2022, commercial and industrial properties with assessed values of approximately \$88.7 million were in ATB. The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

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

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard required the Town to increase its beginning balances in accounts receivable and deferred inflows of resources in the amounts of \$907,617 and \$453,808 in its governmental activities and business-type activities, respectively.

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in

circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Year Implementations

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

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

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

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

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

TOWN OF HOLLISTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN**

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

(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	1.36%	\$ 18,170	\$ 11,684	155.5%	61.1%
2021	1.64%	25,051	11,861	211.2%	53.4%
2020	1.67%	26,677	11,385	234.3%	49.5%
2019	1.75%	27,349	10,757	254.2%	46.4%
2018	1.68%	23,774	10,339	229.9%	49.3%
2017	1.71%	24,188	10,294	235.0%	45.5%
2016	1.81%	23,403	10,191	229.6%	46.1%
2015	1.77%	21,225	9,779	217.0%	47.7%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 2,590	\$ 2,590	\$ -	\$ 11,684	22.2%
2021	2,386	2,386	-	11,861	20.1%
2020	2,250	2,332	(82)	11,385	19.8%
2019	2,184	2,225	(41)	10,757	20.3%
2018	2,056	2,133	(77)	10,339	19.9%
2017	1,979	2,064	(85)	10,294	19.2%
2016	1,862	1,947	(85)	10,191	18.3%
2015	1,910	1,947	(37)	9,779	19.5%

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

See accompanying independent auditors' report.

TOWN OF HOLLISTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN

**SCHEDULE OF THE COMMONWEALTH'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**
(dollar amounts are in thousands)

For the Year Ended June 30, *	Commonwealth's Proportion of the MTRS Net Pension Liability	Town's Proportion of the MTRS Net Pension Liability	Commonwealth's Proportionate Share of the MTRS Net Pension Liability	Commonwealth's Actuarially Determined Contribution	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	100%	0%	\$ 69,819	\$ 5,376	62.0%
2021	100%	0%	90,445	4,922	50.7%
2020	100%	0%	81,168	4,648	53.9%
2019	100%	0%	75,849	4,205	54.8%
2018	100%	0%	72,227	3,899	54.3%
2017	100%	0%	71,659	3,604	52.7%
2016	100%	0%	54,675	3,224	55.4%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

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

See accompanying independent auditors' report.

TOWN OF HOLLISTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service cost	\$ 1,321	\$ 1,203	\$ 1,165	\$ 1,018	\$ 929	\$ 965
Interest	3,303	3,178	2,674	2,546	2,194	2,088
Differences in experience	(1,346)	-	589	-	(87)	-
Changes in assumptions	10,220	1,407	4,962	-	3,488	-
Benefit payments	(2,457)	(2,301)	(2,157)	(1,623)	(1,540)	(1,455)
Net Change in Total OPEB Liability	<u>11,041</u>	<u>3,487</u>	<u>7,233</u>	<u>1,941</u>	<u>4,984</u>	<u>1,598</u>
Total OPEB Liability:						
Beginning of year	<u>48,818</u>	<u>45,331</u>	<u>38,098</u>	<u>36,157</u>	<u>31,173</u>	<u>29,575</u>
End of year (a)	<u>\$ 59,859</u>	<u>\$ 48,818</u>	<u>\$ 45,331</u>	<u>\$ 38,098</u>	<u>\$ 36,157</u>	<u>\$ 31,173</u>
Plan Fiduciary Net Position:						
Contributions	\$ 3,957	\$ 3,801	\$ 3,657	\$ 3,123	\$ 3,040	\$ 2,955
Net investment income (loss)	(910)	4,878	280	714	973	1,014
Benefit payments	(2,457)	(2,301)	(2,157)	(1,623)	(1,540)	(1,455)
Net Change in Plan Fiduciary Net Position	<u>590</u>	<u>6,378</u>	<u>1,780</u>	<u>2,214</u>	<u>2,473</u>	<u>2,514</u>
Plan Fiduciary Net Position:						
Beginning of year	<u>21,847</u>	<u>15,469</u>	<u>13,689</u>	<u>11,475</u>	<u>9,002</u>	<u>6,488</u>
End of year (b)	<u>\$ 22,437</u>	<u>\$ 21,847</u>	<u>\$ 15,469</u>	<u>\$ 13,689</u>	<u>\$ 11,475</u>	<u>\$ 9,002</u>
Net OPEB Liability — End of Year	<u>\$ 37,422</u>	<u>\$ 26,971</u>	<u>\$ 29,862</u>	<u>\$ 24,409</u>	<u>\$ 24,682</u>	<u>\$ 22,171</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability						
Covered payroll	\$ 42,422	\$ 40,088	\$ 38,920	\$ 35,203	\$ 34,177	\$ 35,188
Net OPEB Liability as a Percentage of Covered Payroll	88.2%	67.3%	76.7%	69.3%	72.2%	63.0%

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

See accompanying independent auditors' report.

TOWN OF HOLLISTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 3,244	\$ 2,643	\$ 3,414	\$ 2,856	\$ 2,599	\$ 2,709
Contributions in relation to the actuarially determined contribution	<u>(3,957)</u>	<u>(3,801)</u>	<u>(3,657)</u>	<u>(3,123)</u>	<u>(3,040)</u>	<u>(2,956)</u>
Contribution deficiency (excess)	<u>\$ (713)</u>	<u>\$ (1,158)</u>	<u>\$ (243)</u>	<u>\$ (267)</u>	<u>\$ (441)</u>	<u>\$ (247)</u>
Covered payroll	\$ 42,422	\$ 40,088	\$ 38,920	\$ 35,202	\$ 34,177	\$ 35,188
Contribution as a percentage of covered payroll	9.3%	9.5%	9.4%	8.9%	8.9%	8.4%

Notes to Schedule:

Valuation date	July 1, 2021
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Investment rate of return	6.41% net of investment expenses (previously 6.75%)
Single equivalent discount rate	6.41%, net of investment expenses (previously 6.75%)
Healthcare cost trend rates	8.0% for 2022 grading down to 4.38% in 2050 and an ultimate rate of 3.63%

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	-3.96%	29.70%	1.90%	5.61%	9.62%	13.80%

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

See accompanying independent auditors' report.

TOWN OF HOLLISTON, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Budgetary Amounts	Articles and Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
Revenues:						
Property taxes, net of tax refunds	\$ 52,543,830	\$ 52,543,830	\$ 53,003,345		\$ 53,003,345	\$ 459,515
Intergovernmental	10,808,310	10,808,310	11,072,761		11,072,761	264,451
Motor vehicle and other excise taxes	2,125,000	2,125,000	2,553,168		2,553,168	428,168
Licenses and permits	350,000	350,000	748,324		748,324	398,324
Penalties and interest on taxes	125,000	125,000	284,798		284,798	159,798
Fines and forfeitures	12,000	12,000	41,808		41,808	29,808
Departmental and other revenues	749,331	749,331	1,295,185		1,295,185	545,854
Investment income	25,000	25,000	21,107		21,107	(3,893)
Total Revenues	66,738,471	66,738,471	69,020,496		69,020,496	2,282,025
Expenditures:						
General government	3,257,042	3,298,447	2,714,668	\$ 267,910	2,982,578	315,869
Public safety	5,047,165	5,047,165	4,687,823	68,437	4,756,260	290,905
Education	39,984,430	39,984,430	39,168,482	596,520	39,765,002	219,428
Public works	3,849,667	4,014,667	3,673,706	227,990	3,901,696	112,971
Health and human services	687,481	687,481	671,906	-	671,906	15,575
Culture and recreation	675,859	675,859	674,015	150	674,165	1,694
Pension and fringe benefits	10,542,304	10,542,304	10,146,337	386	10,146,723	395,581
State and county charges	761,704	761,704	727,576	-	727,576	34,128
Debt service	2,405,138	2,405,138	2,400,638	-	2,400,638	4,500
Total Expenditures	67,210,790	67,417,195	64,865,151	\$ 1,161,393	66,026,544	1,390,651
Other Financing Sources (Uses):						
Transfers in	-	-	112,117		112,117	112,117
Transfers out	(4,965,000)	(4,965,000)	(4,979,994)		(4,979,994)	(14,994)
Total Other Financing Sources (Uses)	(4,965,000)	(4,965,000)	(4,867,877)		(4,867,877)	97,123
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,437,319)	(5,643,724)	\$ (712,532)		\$ (1,873,925)	\$ 3,769,799
Other Budgetary Items:						
Prior year articles and encumbrances	1,985,819	1,985,819				
Free cash	3,451,500	3,657,905				
Total Other Budgetary Items	5,437,319	5,643,724				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF HOLLISTON, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

An annual budget is legally adopted for the general fund. Generally, financial orders are initiated by department heads, approved by the Select Board or other overseeing board and recommended by the Finance Committee; final approval is made by the Town at its annual Town Meeting. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town’s general fund is prepared using the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue, which is not GAAP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A complete reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 69,020,496
On behalf payments	\$ 5,602,690	\$ -	5,602,690
Revenue recognition	(113,993)	-	(113,993)
Stabilization income	-	(206,804)	(206,804)
Revenues — GAAP basis	<u>\$ 5,488,697</u>	<u>\$ (206,804)</u>	<u>\$ 74,302,389</u>
Expenditures — budgetary basis			\$ 64,865,151
Expense recognition	\$ (415,600)	\$ -	(415,600)
Pension reserve transfers	-	(46,017)	(46,017)
On behalf payments	5,602,690	-	5,602,690
Expenditures — GAAP basis	<u>\$ 5,187,090</u>	<u>\$ (46,017)</u>	<u>\$ 70,006,224</u>
Net transfers — budgetary basis			\$ (4,867,877)
Debt service transfers	\$ -	\$ -	-
Pension reserve transfers	-	(46,017)	(46,017)
Stabilization transfers	-	1,861,018	1,861,018
Net transfers — GAAP basis	<u>\$ -</u>	<u>\$ 1,815,001</u>	<u>\$ (3,052,876)</u>