

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF HOLLISTON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information

Year Ended June 30, 2020



TOWN OF HOLLISTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 23, 2020

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, 2020. 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 assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by nearly \$68.7 million (total net position). The Town's total net position increased by approximately \$5.5 million in 2020. The net position in governmental activities increased over \$3.7 million while the net position in the business-type activities increased over \$1.7 million. These increases were relatively consistent with the increases in fiscal year 2019.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. At June 30, 2020, the total deficit in unrestricted net position was approximately \$31.4 million. This deficit is primarily the result of recording approximately \$55.0 million in long-term obligations associated with net other postemployment benefits, or OPEB, liabilities 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 \$29.9 million, which is approximately \$3.8 million higher than the prior year. The Town reported a modest decrease in fund balance in its general fund of approximately \$0.2 million in fiscal year 2020. Each remaining major governmental fund reported increases in fund balances. Of the ending fund balance in the Town's governmental funds, over \$11.2 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 was approximately \$11.3 million, which represents over 15% of total fiscal year 2020 general fund expenditures. The June 30, 2020 total general fund balance of approximately \$13.1 million represented nearly 18% of total fiscal year 2020 general fund expenditures.
- The Town's total gross long-term debt obligations decreased over \$5.5 million during the current fiscal year. The Town refunded previously issued general obligation bonds related to its police building construction in fiscal year 2020, which is expected to save the Town approximately \$0.3 million over the remaining life of these notes. The Town did not complete any new long-term debt offerings in fiscal year 2020.
- The COVID-19 pandemic and its associated public/private enterprise shutdowns affected the Town in a variety of ways. The Town recognized that its revenues from sources such as recreation and after-school programs, excise taxes, permits and other usage fees would not trend as anticipated. Cost reductions were made in a number of areas and many budgeted expenses were either deferred, reduced or eliminated entirely in fiscal year 2020.
- The Town received notice from the Commonwealth of Massachusetts (the "Commonwealth") that it is entitled to approximately \$1.3 million through the federal Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act funds are restricted in their use; these funds can only be used for direct expenses related to COVID-19 and cannot be used as "revenue replacement"

or other similar, unrestricted purposes. Under current federal law, CARES Act funds must be spent for approved costs through December 31, 2021; unused funds must be returned to the federal government. The Town reported unearned revenues of approximately \$1.0 million from receipts of CARES Act funds in advance of qualified expenditures at June 30, 2020.

Overview of the Financial Statements

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

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

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 two categories: governmental funds, and proprietary 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.

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.

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.

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, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 39,181,301 | \$ 36,139,277 | \$ 9,698,947 | \$ 9,045,596 | \$ 48,880,248 | \$ 45,184,873 |
| Capital assets, net | <u>68,578,094</u> | <u>69,236,503</u> | <u>18,485,639</u> | <u>17,786,666</u> | <u>87,063,733</u> | <u>87,023,169</u> |
| Total Assets | <u>107,759,395</u> | <u>105,375,780</u> | <u>28,184,586</u> | <u>26,832,262</u> | <u>135,943,981</u> | <u>132,208,042</u> |
| Deferred Outflows of Resources | <u>10,267,903</u> | <u>6,352,957</u> | <u>230,389</u> | <u>212,240</u> | <u>10,498,292</u> | <u>6,565,197</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | 59,793,594 | 57,749,868 | 5,050,140 | 5,687,950 | 64,843,734 | 63,437,818 |
| Other liabilities | <u>9,168,023</u> | <u>10,024,361</u> | <u>1,308,428</u> | <u>1,093,193</u> | <u>10,476,451</u> | <u>11,117,554</u> |
| Total Liabilities | <u>68,961,617</u> | <u>67,774,229</u> | <u>6,358,568</u> | <u>6,781,143</u> | <u>75,320,185</u> | <u>74,555,372</u> |
| Deferred Inflows of Resources | <u>2,388,399</u> | <u>1,015,198</u> | <u>93,750</u> | <u>39,033</u> | <u>2,482,149</u> | <u>1,054,231</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 61,314,225 | 60,320,030 | 14,289,261 | 13,494,713 | 75,603,486 | 73,814,743 |
| Restricted | 16,748,159 | 12,738,467 | 2,188,032 | 1,367,681 | 18,936,191 | 14,106,148 |
| Unrestricted | <u>(31,385,102)</u> | <u>(30,119,187)</u> | <u>5,485,364</u> | <u>5,361,932</u> | <u>(25,899,738)</u> | <u>(24,757,255)</u> |
| Total Net Position | <u>\$ 46,677,282</u> | <u>\$ 42,939,310</u> | <u>\$ 21,962,657</u> | <u>\$ 20,224,326</u> | <u>\$ 68,639,939</u> | <u>\$ 63,163,636</u> |

As noted earlier, net position may service over time as a useful indicator of a government's financial position. The Town's total net position increased by nearly \$5.5 million in fiscal year 2020. The Town's net position has steadily increased in each of the past three fiscal years.

The largest portion 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 represents resources that are subject to external restrictions on how they may be used. In the governmental activities, this balance exceeded \$16.7 million at June 30, 2020. In the business-type activities, the water enterprise reports approximately \$2.2 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, 2020 and 2019. 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 totaled approximately \$55.0 million and \$1.5 million at June 30, 2020 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 | |
|-----------------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,343,106 | \$ 6,324,999 | \$ 4,684,368 | \$ 4,587,391 | \$ 10,027,474 | \$ 10,912,390 |
| Operating grants and contributions | 22,798,599 | 18,398,188 | - | - | 22,798,599 | 18,398,188 |
| Capital grants and contributions | 577,117 | 32,200 | - | - | 577,117 | 32,200 |
| General revenues: | | | | | | |
| Property taxes | 50,612,400 | 48,125,066 | - | - | 50,612,400 | 48,125,066 |
| Excise taxes | 2,556,774 | 2,457,005 | - | - | 2,556,774 | 2,457,005 |
| Intergovernmental | 1,644,407 | 1,601,175 | - | - | 1,644,407 | 1,601,175 |
| Other | 592,489 | 709,616 | - | - | 592,489 | 709,616 |
| Total Revenues | 84,124,892 | 77,648,249 | 4,684,368 | 4,587,391 | 88,809,260 | 82,235,640 |
| Expenses: | | | | | | |
| General government | 3,725,717 | 3,183,331 | - | - | 3,725,717 | 3,183,331 |
| Public safety | 7,780,269 | 7,274,005 | - | - | 7,780,269 | 7,274,005 |
| Education | 61,731,568 | 57,888,717 | - | - | 61,731,568 | 57,888,717 |
| Public works | 3,946,981 | 3,587,514 | - | - | 3,946,981 | 3,587,514 |
| Health and human services | 1,229,861 | 1,028,785 | - | - | 1,229,861 | 1,028,785 |
| Culture and recreation | 1,629,541 | 1,654,001 | - | - | 1,629,541 | 1,654,001 |
| Interest expense | 380,874 | 507,213 | - | - | 380,874 | 507,213 |
| Golf | - | - | 144,650 | 70,165 | 144,650 | 70,165 |
| Water | - | - | 2,763,496 | 2,476,224 | 2,763,496 | 2,476,224 |
| Total Expenses | 80,424,811 | 75,123,566 | 2,908,146 | 2,546,389 | 83,332,957 | 77,669,955 |
| Change in Net Position Before Transfers | 3,700,081 | 2,524,683 | 1,776,222 | 2,041,002 | 5,476,303 | 4,565,685 |
| Transfers | 37,891 | 60,000 | (37,891) | (60,000) | - | - |
| Change in Net Position | 3,737,972 | 2,584,683 | 1,738,331 | 1,981,002 | 5,476,303 | 4,565,685 |
| Net Position: | | | | | | |
| Beginning of year | 42,939,310 | 40,354,627 | 20,224,326 | 18,243,324 | 63,163,636 | 58,597,951 |
| End of year | \$ 46,677,282 | \$ 42,939,310 | \$ 21,962,657 | \$ 20,224,326 | \$ 68,639,939 | \$ 63,163,636 |

Governmental Activities – Total governmental activities’ revenues increased nearly \$6.5 million, or 8.3%, year-over-year. This increase was due primarily to:

- Property taxes made up approximately 60% and 62% of total governmental activities revenues in fiscal years 2020 and 2019, respectively. Property tax revenues increased nearly \$2.5 million year-over-year; this increase was due primarily to normal statutory property tax increases coupled with strong new growth.
- Operating grants and contributions represented approximately 27% and 24% of total governmental activities revenues in fiscal years 2020 and 2019, respectively. Operating grants and contributions increased over \$4.4 million year-over-year; the majority of the fiscal year 2020 increase in operating grants and contributions was due to (1) a nearly \$2.2 million increase in MTRS funding by the Commonwealth on-behalf of the Town, (2) over \$1.2 million in education grants in the form of Chapter 70 state education aid and from various state and federal grants and (3) over \$0.2 million in CARES Act receipts recognized into revenues in fiscal year 2020.
- These increases were offset by a nearly \$1.0 million decrease in charges for services, which was due almost entirely to the effect of COVID-19 shutdowns and service disruptions.

No other revenues or dollar changes in revenue were individually significant between fiscal 2020 and 2019.

Total governmental activities' expenses increased over \$5.3 million, or 7.1%, year-over-year. The Town's largest expense category is education, which the Town continues to devote substantial resources. Education expenses increased over \$3.8 million, or 6.6% year-over-year. Education expenses totaled approximately 77% of both fiscal year 2020 and 2019 governmental activities expenses. No other expense or dollar changes in expense were individually significant between fiscal 2020 and 2019.

Business-Type Activities – The Town reports the activities of its golf and water activities as business-type activities. Combined business-type revenues increased nearly \$0.1 million year-over-year. Combined business-type expenses increased nearly \$0.4 million year-over-year. Both the golf and water activities reported positive changes in net position in fiscal year 2020.

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 \$29.9 million, which was nearly \$3.8 million greater than the prior year. The general fund reported a decrease in fund balance of approximately \$0.2 million, while the community preservation, capital reserve and nonmajor governmental funds reported increases in fund balances of approximately \$0.7 million, \$2.9 million and \$0.5 million, respectively, in fiscal year 2020. Of the ending fund balance, over \$11.2 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 was approximately \$11.3 million, while total fund balance was over \$13.1 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 15% of total fiscal year 2020 general fund expenditures, while total fund balance represents nearly 18% 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, 2020 was approximately \$3.1 million.

The capital reserve fund is used to accumulate financial resources that may through a Town Meeting vote be used to supplement future capital projects. The ending fund balance, which is classified as committed, increased nearly \$2.9 million in fiscal year 2020 to approximately \$6.5 million at June 30, 2020. The Town maintains certain financial policies whereby it set 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, net position of the golf and water funds were approximately \$22.0 million in the aggregate. The net position in the golf fund increased nearly \$54,000 in fiscal year 2020, while the net position in the water fund increased nearly \$1.7 million.

Fiduciary Funds – The Town reports the financial position and results of activities of its OPEB Trust and agency funds in its fiduciary funds financial statements. The OPEB Trust fund’s net position increased nearly \$1.8 million in 2020. This increase was due primarily to budgeted contributions of \$1.5 million in fiscal year 2020 by the Town together with positive investment performance. Agency funds are currently presented only in the statement of net position and represent funds on deposit with the Town Treasurer that are held on behalf of others. Changes to agency funds balances are generally a result of timing.

General Fund Budgetary Highlights

Differences between the original and final budget for the Town’s general fund were not significant in fiscal year 2020. 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, 2020 totaled approximately \$87.1 million, net of accumulated depreciation. In total, net capital assets increased nearly \$41,000 in fiscal year 2020 as current year additions exceeded 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, 2020, the Town had total long-term general obligation debt outstanding of approximately \$11.5 million, which represents a decrease of approximately \$5.5 million from the prior year. The Town refunded previously issued general obligation bonds related to its police building construction in fiscal year 2020, which is expected to save the Town approximately \$0.3 million over the remaining life of these notes. The Town did not complete any new long-term debt offerings in fiscal year 2020.

In February 2020, Standard & Poor’s Ratings Services (“S&P”) affirmed the “AA+” credit rating to the Town’s long-term general obligation debt. This is one grade lower than S&P’s highest rating of AAA.

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 2021 is expected to remain consistent with fiscal year 2020.
- Unemployment rates across the Commonwealth continue to be among the highest in the nation due to the effects of the COVID-19 pandemic.
- The median household income and home values within the Town significantly exceed the state-wide and national averages.
- The Town has approximately \$0.6 million in excess levy capacity at June 30, 2020.
- In September 2020, the Massachusetts Department of Revenue (“DOR”) certified the Town’s free cash at nearly \$2.7 million, which the Town can appropriate for any legal municipal purpose at Town Meeting.

The above items were considered when the Town approved its fiscal year 2021 budget in a July 2020 Town Meeting. The Town operated the first month of fiscal year 2021 using a monthly budget process approved by the Division of Local Services of the DOR. The Town set its fiscal year 2021 tax rate on December 9, 2020.

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, 2020**

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------------|----------------------------|-----------------------------|----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 30,923,258 | \$ 8,218,831 | \$ 39,142,089 |
| Investments | 4,209,217 | - | 4,209,217 |
| Receivables, net of allowances: | | | |
| Property taxes | 1,950,489 | - | 1,950,489 |
| Excise taxes | 242,052 | - | 242,052 |
| Departmental, user charges and other | 123,007 | 1,480,116 | 1,603,123 |
| Intergovernmental | 1,135,552 | - | 1,135,552 |
| Prepaid items | 590,444 | - | 590,444 |
| Inventories and other assets | 7,282 | - | 7,282 |
| Land | 6,635,543 | 1,000,000 | 7,635,543 |
| Construction in-progress | - | 735,719 | 735,719 |
| Depreciable capital assets, net | <u>61,942,551</u> | <u>16,749,920</u> | <u>78,692,471</u> |
| Total Assets | <u>107,759,395</u> | <u>28,184,586</u> | <u>135,943,981</u> |
| Deferred Outflows of Resources: | | | |
| Other postemployment benefits | 6,990,153 | 81,322 | 7,071,475 |
| Pensions | <u>3,277,750</u> | <u>149,067</u> | <u>3,426,817</u> |
| Total Deferred Outflows of Resources | <u>10,267,903</u> | <u>230,389</u> | <u>10,498,292</u> |
| Liabilities: | | | |
| Warrants and accounts payable | 2,269,083 | 616,068 | 2,885,151 |
| Accrued payroll and withholdings | 2,914,065 | 15,695 | 2,929,760 |
| Accrued interest | 67,975 | 26,190 | 94,165 |
| Other liabilities | 11,180 | - | 11,180 |
| Unearned revenues | 1,037,694 | - | 1,037,694 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,868,026 | 650,475 | 3,518,501 |
| Due in more than one year | <u>59,793,594</u> | <u>5,050,140</u> | <u>64,843,734</u> |
| Total Liabilities | <u>68,961,617</u> | <u>6,358,568</u> | <u>75,320,185</u> |
| Deferred Inflows of Resources: | | | |
| Unearned revenues | 294,363 | - | 294,363 |
| Other postemployment benefits | 43,827 | 510 | 44,337 |
| Pensions | <u>2,050,209</u> | <u>93,240</u> | <u>2,143,449</u> |
| Total Deferred Inflows of Resources | <u>2,388,399</u> | <u>93,750</u> | <u>2,482,149</u> |
| Net Position: | | | |
| Net investment in capital assets | 61,314,225 | 14,289,261 | 75,603,486 |
| Restricted for: | | | |
| Expendable permanent funds | 509,016 | - | 509,016 |
| Community preservation | 3,139,882 | - | 3,139,882 |
| Capital reserves | 6,503,194 | 2,188,032 | 8,691,226 |
| Other purposes | 6,596,067 | - | 6,596,067 |
| Unrestricted | <u>(31,385,102)</u> | <u>5,485,364</u> | <u>(25,899,738)</u> |
| Total Net Position | <u>\$ 46,677,282</u> | <u>\$ 21,962,657</u> | <u>\$ 68,639,939</u> |

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| 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 | \$ 3,725,717 | \$ 1,014,005 | \$ 662,337 | \$ - | \$ (2,049,375) | | \$ (2,049,375) |
| Public safety | 7,780,269 | 776,016 | 93,090 | 300,000 | (6,611,163) | | (6,611,163) |
| Education | 61,731,568 | 2,926,144 | 21,747,160 | - | (37,058,264) | | (37,058,264) |
| Public works | 3,946,981 | 149,416 | 5,400 | 277,117 | (3,515,048) | | (3,515,048) |
| Health and human services | 1,229,861 | 192,115 | 111,268 | - | (926,478) | | (926,478) |
| Culture and recreation | 1,629,541 | 285,410 | 28,322 | - | (1,315,809) | | (1,315,809) |
| Interest expense | 380,874 | - | 151,022 | - | (229,852) | | (229,852) |
| Total Governmental Activities | 80,424,811 | 5,343,106 | 22,798,599 | 577,117 | (51,705,989) | | (51,705,989) |
| Business-Type Activities: | | | | | | | |
| Golf | 144,650 | 258,531 | - | - | | \$ 113,881 | 113,881 |
| Water | 2,763,496 | 4,425,837 | - | - | | 1,662,341 | 1,662,341 |
| Total Business-Type Activities | 2,908,146 | 4,684,368 | - | - | | 1,776,222 | 1,776,222 |
| Total Primary Government | \$ 83,332,957 | \$ 10,027,474 | \$ 22,798,599 | \$ 577,117 | | 1,776,222 | (49,929,767) |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 50,612,400 | - | 50,612,400 |
| Motor vehicle and other excise taxes | | | | | 2,556,774 | - | 2,556,774 |
| Grants and contributions not restricted to to specific programs | | | | | 1,644,407 | - | 1,644,407 |
| Penalties and interest on taxes | | | | | 186,241 | - | 186,241 |
| Unrestricted investment income | | | | | 393,821 | - | 393,821 |
| Other income | | | | | 12,427 | - | 12,427 |
| Transfers, net | | | | | 37,891 | (37,891) | - |
| Total General Revenues and Transfers | | | | | 55,443,961 | (37,891) | 55,406,070 |
| Change in Net Position | | | | | 3,737,972 | 1,738,331 | 5,476,303 |
| Net Position: | | | | | | | |
| Beginning of year | | | | | 42,939,310 | 20,224,326 | 63,163,636 |
| End of year | | | | | \$ 46,677,282 | \$ 21,962,657 | \$ 68,639,939 |

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

| | General Fund | Community Preservation Fund | Capital Reserve Fund | Nonmajor Governmental Funds | Total |
|---------------------------------------------------------------------------|----------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 13,986,051 | \$ 2,303,806 | \$ 6,503,194 | \$ 8,130,207 | \$ 30,923,258 |
| Investments | 3,355,369 | 838,842 | - | 15,006 | 4,209,217 |
| Receivables, net of allowances: | | | | | |
| Property taxes | 1,933,125 | 17,364 | - | - | 1,950,489 |
| Excise taxes | 242,052 | - | - | - | 242,052 |
| Departmental, user charges and other | 19,015 | - | - | 103,992 | 123,007 |
| Intergovernmental | 1,034,315 | - | - | 101,237 | 1,135,552 |
| Prepaid items | 590,444 | - | - | - | 590,444 |
| Inventories and other assets | 7,282 | - | - | - | 7,282 |
| Total Assets | 21,167,653 | 3,160,012 | 6,503,194 | 8,350,442 | 39,181,301 |
| Total Deferred Outflows of Resources | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 21,167,653 | \$ 3,160,012 | \$ 6,503,194 | \$ 8,350,442 | \$ 39,181,301 |
| Liabilities: | | | | | |
| Warrants and accounts payable | \$ 2,182,094 | \$ - | \$ - | \$ 86,989 | \$ 2,269,083 |
| Accrued payroll and withholdings | 2,896,290 | - | - | 17,775 | 2,914,065 |
| Unearned revenues | - | - | - | 1,037,694 | 1,037,694 |
| Other liabilities | 8,414 | - | - | - | 8,414 |
| Total Liabilities | 5,086,798 | - | - | 1,142,458 | 6,229,256 |
| Deferred Inflows of Resources: | | | | | |
| Unearned revenues - prepaid property taxes | 294,363 | 2,766 | - | - | 297,129 |
| Unavailable revenues - property taxes | 1,386,950 | 17,364 | - | - | 1,404,314 |
| Unavailable revenues - intergovernmental | 1,034,315 | - | - | - | 1,034,315 |
| Unavailable revenues - other | 261,067 | - | - | 103,992 | 365,059 |
| Total Deferred Inflows of Resources | 2,976,695 | 20,130 | - | 103,992 | 3,100,817 |
| Fund Balances: | | | | | |
| Nonspendable | 597,726 | - | - | - | 597,726 |
| Restricted | 39,890 | 3,139,882 | - | 7,144,993 | 10,324,765 |
| Committed | 844,466 | - | 6,503,194 | - | 7,347,660 |
| Assigned | 368,172 | - | - | - | 368,172 |
| Unassigned | 11,253,906 | - | - | (41,001) | 11,212,905 |
| Total Fund Balances | 13,104,160 | 3,139,882 | 6,503,194 | 7,103,992 | 29,851,228 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 21,167,653 | \$ 3,160,012 | \$ 6,503,194 | \$ 8,350,442 | \$ 39,181,301 |

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, 2020**

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total Governmental Fund Balances | \$ 29,851,228 |
| Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds. | 68,578,094 |
| 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. | 2,803,688 |
| 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 | 6,990,153 |
| Deferred outflows of resources - pensions | 3,277,750 |
| Deferred inflows of resources - other postemployment benefits | (43,827) |
| Deferred inflows of resources - pensions | <u>(2,050,209)</u> |
| Net effect of reporting deferred outflows and inflows of resources | 8,173,867 |
| Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due. | (67,975) |
| 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 | (29,517,875) |
| Net pension liability | (25,516,179) |
| Compensated absences | (363,697) |
| Bonds and notes payable | <u>(7,263,869)</u> |
| Net effect of reporting long-term liabilities | <u>(62,661,620)</u> |
| Net Position — Governmental Activities | <u>\$ 46,677,282</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, 2020**

| | General Fund | Community Preservation Fund | Capital Reserve Fund | Nonmajor Governmental Funds | Total |
|----------------------------------------------------------------------|----------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------|
| Revenues : | | | | | |
| Property taxes, net of tax refunds | \$ 50,193,177 | \$ 578,656 | \$ - | \$ - | \$ 50,771,833 |
| Intergovernmental | 21,845,209 | 131,683 | - | 5,013,039 | 26,989,931 |
| Motor vehicle and other excise taxes | 2,449,171 | - | - | - | 2,449,171 |
| Licenses and permits | 406,284 | - | - | - | 406,284 |
| Penalties and interest on taxes | 186,241 | - | - | - | 186,241 |
| Fines and forfeitures | 38,455 | - | - | - | 38,455 |
| Departmental and other revenues | 1,392,863 | - | 69,213 | 3,552,682 | 5,014,758 |
| Contributions and donations | - | - | - | 63,187 | 63,187 |
| Investment income | 286,908 | 48,098 | 54,603 | 4,212 | 393,821 |
| Total Revenues | 76,798,308 | 758,437 | 123,816 | 8,633,120 | 86,313,681 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 2,232,435 | 85,959 | - | 486,451 | 2,804,845 |
| Public safety | 5,219,773 | - | - | 316,757 | 5,536,530 |
| Education | 37,249,295 | - | - | 6,365,911 | 43,615,206 |
| Public works | 3,512,427 | - | - | 330,229 | 3,842,656 |
| Health and human services | 609,300 | - | - | 217,272 | 826,572 |
| Culture and recreation | 682,685 | - | - | 429,146 | 1,111,831 |
| Pension and fringe benefits | 18,927,410 | - | - | - | 18,927,410 |
| State and county charges | 675,314 | - | - | - | 675,314 |
| Debt service: | | | | | |
| Principal | 4,740,000 | - | - | - | 4,740,000 |
| Interest | 465,087 | - | - | - | 465,087 |
| Total Expenditures | 74,313,726 | 85,959 | - | 8,145,766 | 82,545,451 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,484,582 | 672,478 | 123,816 | 487,354 | 3,768,230 |
| Other Financing Sources (Uses): | | | | | |
| Issuance of refunding bonds | - | - | - | 2,415,000 | 2,415,000 |
| Premium from issuance of refunding bonds | - | - | - | 377,573 | 377,573 |
| Payments on refunding bonds | - | - | - | (2,805,000) | (2,805,000) |
| Transfers in | 1,532,144 | - | 4,217,154 | - | 5,749,298 |
| Transfers out | (4,239,263) | - | (1,472,144) | - | (5,711,407) |
| Total Other Financing Sources (Uses) | (2,707,119) | - | 2,745,010 | (12,427) | 25,464 |
| Change in Fund Balances | (222,537) | 672,478 | 2,868,826 | 474,927 | 3,793,694 |
| Fund Balances: | | | | | |
| Beginning of the year | 13,326,697 | 2,467,404 | 3,634,368 | 6,629,065 | 26,057,534 |
| End of the year | <u>\$ 13,104,160</u> | <u>\$ 3,139,882</u> | <u>\$ 6,503,194</u> | <u>\$ 7,103,992</u> | <u>\$ 29,851,228</u> |

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, 2020**

Change in Fund Balances — Total Governmental Funds \$ 3,793,694

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 | 2,722,795 | |
| Depreciation expense | <u>(3,381,204)</u> | |
| Net effect of reporting capital activity | | (658,409) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (2,188,789)

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:

| | | |
|-------------------------------------------------|---------------|-----------|
| Issuance of refunding bonds | (2,415,000) | |
| Payments on refunding bonds | 2,805,000 | |
| Premiums received on long-term borrowings | (377,573) | |
| Repayments of long-term debt | 4,740,000 | |
| Amortization of bond premiums | <u>57,721</u> | |
| Net effect of reporting long-term debt activity | | 4,810,148 |

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 | (673,482) | |
| Net pension liability | (1,331,015) | |
| Compensated absences | (40,667) | |
| Accrued interest | <u>26,492</u> | |
| Net effect of reporting long-term liabilities | | <u>(2,018,672)</u> |

Change in Net Position — Governmental Activities \$ 3,737,972

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

| | Business-Type Activities | | |
|---------------------------------------------|--------------------------|----------------------|----------------------|
| | Golf | Water | Total |
| Assets: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 225,301 | \$ 7,993,530 | \$ 8,218,831 |
| User charges receivable | - | 1,480,116 | 1,480,116 |
| Total Current Assets | 225,301 | 9,473,646 | 9,698,947 |
| Noncurrent Assets: | | | |
| Land | 1,000,000 | - | 1,000,000 |
| Construction in-progress | - | 735,719 | 735,719 |
| Depreciable capital assets, net | 1,158,401 | 15,591,519 | 16,749,920 |
| Total Noncurrent Assets | 2,158,401 | 16,327,238 | 18,485,639 |
| Total Assets | 2,383,702 | 25,800,884 | 28,184,586 |
| Deferred Outflows of Resources: | | | |
| Other postemployment benefits | - | 81,322 | 81,322 |
| Pensions | - | 149,067 | 149,067 |
| Total Deferred Outflows of Resources | - | 230,389 | 230,389 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Warrants and accounts payable | - | 616,068 | 616,068 |
| Accrued payroll and withholdings | - | 15,695 | 15,695 |
| Accrued interest | - | 26,190 | 26,190 |
| Deposits | - | - | - |
| Current portion of long-term debt | 50,200 | 600,275 | 650,475 |
| Total Current Liabilities | 50,200 | 1,258,228 | 1,308,428 |
| Noncurrent liabilities: | | | |
| Net other postemployment benefits liability | - | 343,805 | 343,805 |
| Net pension liability | - | 1,160,433 | 1,160,433 |
| Long-term debt | - | 3,545,902 | 3,545,902 |
| Total Noncurrent Liabilities | - | 5,050,140 | 5,050,140 |
| Total Liabilities | 50,200 | 6,308,368 | 6,358,568 |
| Deferred Inflows of Resources: | | | |
| Other postemployment benefits | - | 510 | 510 |
| Pensions | - | 93,240 | 93,240 |
| Total Deferred Inflows of Resources | - | 93,750 | 93,750 |
| Net Position: | | | |
| Net investment in capital assets | 2,108,201 | 12,181,060 | 14,289,261 |
| Restricted | - | 2,188,032 | 2,188,032 |
| Unrestricted | 225,301 | 5,260,063 | 5,485,364 |
| Total Net Position | \$ 2,333,502 | \$ 19,629,155 | \$ 21,962,657 |

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, 2020**

| | Business-Type Activities | | |
|----------------------------------------|--------------------------|---------------|---------------|
| | Golf | Water | Total |
| Operating Revenues: | | | |
| Charges for services | \$ 258,531 | \$ 4,356,624 | \$ 4,615,155 |
| Other operating revenues | - | 69,213 | 69,213 |
| Total Operating Revenues | 258,531 | 4,425,837 | 4,684,368 |
| Operating Expenses: | | | |
| Payroll and personnel costs | - | 868,862 | 868,862 |
| Operating costs | 88,323 | 1,177,344 | 1,265,667 |
| Depreciation | 53,448 | 625,216 | 678,664 |
| Total Operating Expenses | 141,771 | 2,671,422 | 2,813,193 |
| Operating Income | 116,760 | 1,754,415 | 1,871,175 |
| Nonoperating Revenues (Expenses): | | | |
| Interest expenses | (2,879) | (92,074) | (94,953) |
| Total Nonoperating Revenues (Expenses) | (2,879) | (92,074) | (94,953) |
| Income Before Transfers | 113,881 | 1,662,341 | 1,776,222 |
| Transfers: | | | |
| Transfers in | - | 22,109 | 22,109 |
| Transfers out | (60,000) | - | (60,000) |
| Total Transfers | (60,000) | 22,109 | (37,891) |
| Change in Net Position | 53,881 | 1,684,450 | 1,738,331 |
| Net Position: | | | |
| Beginning of the year | 2,279,621 | 17,944,705 | 20,224,326 |
| End of the year | \$ 2,333,502 | \$ 19,629,155 | \$ 21,962,657 |

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

| | Business-Type Activities | | |
|-----------------------------------------------------------------------------------------|--------------------------|---------------------|---------------------|
| | Golf | Water | Total |
| Cash Flows from Operating Activities: | | | |
| Receipts from user charges | \$ 255,039 | \$ 4,202,222 | \$ 4,457,261 |
| Receipts from other operating revenues | - | 69,213 | 69,213 |
| Payments to employees | - | (815,123) | (815,123) |
| Payments to vendors | (88,323) | (913,470) | (1,001,793) |
| Net Cash Provided By Operating Activities | <u>166,716</u> | <u>2,542,842</u> | <u>2,709,558</u> |
| Cash Flows from Noncapital Financial Activities: | | | |
| Transfers in | - | 22,109 | 22,109 |
| Transfers out | (60,000) | - | (60,000) |
| Net Cash (Used In) Provided By Noncapital Financing Activities | <u>(60,000)</u> | <u>22,109</u> | <u>(37,891)</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | - | (1,377,637) | (1,377,637) |
| Principal repayments on long-term debt | (90,000) | (605,576) | (695,576) |
| Interest payments | (2,879) | (96,626) | (99,505) |
| Net Cash Used In Capital and Related Financing Activities | <u>(92,879)</u> | <u>(2,079,839)</u> | <u>(2,172,718)</u> |
| Change in Cash and Cash Equivalents | 13,837 | 485,112 | 498,949 |
| Cash and Cash Equivalents: | | | |
| Beginning of the year | <u>211,464</u> | <u>7,508,418</u> | <u>7,719,882</u> |
| End of the year | <u>\$ 225,301</u> | <u>\$ 7,993,530</u> | <u>\$ 8,218,831</u> |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | | | |
| Operating Income | \$ 116,760 | \$ 1,754,415 | \$ 1,871,175 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | | | |
| Depreciation expense | 53,448 | 625,216 | 678,664 |
| Changes in assets, deferred outflows (inflows) of resources and liabilities: | | | |
| Receivables and other current assets | - | (154,402) | (154,402) |
| Warrants payable and other current liabilities | (3,492) | 268,380 | 264,888 |
| Accrued and deferred benefits payable | - | 49,233 | 49,233 |
| Net Cash Provided By Operating Activities | <u>\$ 166,716</u> | <u>\$ 2,542,842</u> | <u>\$ 2,709,558</u> |

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

| | <u>OPEB Trust</u> | <u>Agency Funds</u> |
|-----------------------------------------------------------|-----------------------|-------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ - | \$ 691,167 |
| Investments in SRBT | 15,469,023 | - |
| Receivables | <u>-</u> | <u>34,960</u> |
| Total Assets | <u>15,469,023</u> | <u>\$ 726,127</u> |
| Liabilities: | | |
| Warrants and accounts payable | - | \$ 17,828 |
| Agency liabilities | <u>-</u> | <u>708,299</u> |
| Total Liabilities | <u>-</u> | <u>\$ 726,127</u> |
| Net Position Restricted for Other Postemployment Benefits | <u>15,469,023</u> | |
| Total Net Position | <u>\$ 15,469,023</u> | |

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2020**

| | <u>OPEB Trust</u> |
|-----------------------------------------------|-----------------------|
| Additions: | |
| Employer contributions | \$ 3,657,049 |
| Investment income: | |
| Interest and dividends | 358,342 |
| Net appreciation in fair value of investments | 1,263 |
| Less investment management fees | <u>(80,127)</u> |
| Total net investment income | <u>279,478</u> |
| Total Additions | <u>3,936,527</u> |
| Deductions: | |
| Benefits to retirees | <u>2,157,049</u> |
| Total Deductions | <u>2,157,049</u> |
| Change in Net Position | 1,779,478 |
| Net Position: | |
| Beginning of the year | <u>13,689,545</u> |
| End of the year | <u>\$ 15,469,023</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, 2020

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

- 1) The total assets, 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, monies 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 is 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 the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future other postemployment benefits, or OPEB, obligations.

Agency Funds – are used to account for assets held in a purely custodial capacity.

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, 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.

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. In its government-wide statement of net position, the Town reports deferred outflows related to its net OPEB and pension liabilities. 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 government-wide statement of net position, the Town reports deferred outflows related to its net OPEB and pension liabilities, which is expected to be recognized as a reduction to pension expense within the next six years. The Town also reports unearned revenues as deferred inflows of resources in its government-wide statement of net position; the Town will report this as revenue in the following fiscal year. In its governmental funds financial statements, the Town reports unearned 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.

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.

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

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

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

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.

E. Excess of Expenditures Over Appropriations and Deficits

The Town did not incur any fund or appropriation deficits during the year. There were several revolving funds that reported deficit fund balances at June 30, 2020, for which future grant receipts and/or other revenue sources are expected to remedy these deficits.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. 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, 2020, all of the Town's bank deposits were fully insured by the federal depository insurance or other depositors' insurance or third-party collateralization.

Fair Value Measurements: Investments – The following table presents the Town's investments carried at fair value on a recurring basis at June 30, 2020:

| <u>Investments by Fair Value Level</u> | June 30, 2020 | <u>Fair Value Measurements Using</u> | | |
|----------------------------------------|----------------------|--------------------------------------|---------------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Debt securities: | | | | |
| U.S. Treasury notes | \$ 1,040,219 | \$ 1,040,219 | \$ - | \$ - |
| U.S. Government agency obligations | 669,733 | - | 669,733 | - |
| Corporate bonds | <u>1,964,716</u> | <u>-</u> | <u>1,964,716</u> | <u>-</u> |
| Total debt securities | <u>3,674,668</u> | <u>1,040,219</u> | <u>2,634,449</u> | <u>-</u> |
| Equity securities | <u>534,549</u> | <u>534,549</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | <u>4,209,217</u> | <u>\$ 1,574,768</u> | <u>\$ 2,634,449</u> | <u>\$ -</u> |
| Investments measured at NAV: | | | | |
| State Retirees Benefit Trust Fund | <u>15,469,023</u> | | | |
| Total investments at fair value | <u>\$ 19,678,240</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 79% of the Town’s total investments at June 30, 2020. No other individual investment exceeded 5% of the Town’s total investments at June 30, 2020.

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, 2020, the Town had the following investments:

| Investments | Fair Value | Time Until Maturity (in years) | | |
|------------------------------------|---------------|--------------------------------|--------------|------------|
| | | Less than 1 | 1 to 5 | 6 to 10 |
| <u>Debt securities:</u> | | | | |
| U.S. Government obligations | \$ 1,709,952 | \$ 485,260 | \$ 1,003,257 | \$ 221,435 |
| Corporate bonds | 1,964,716 | 377,406 | 1,587,310 | - |
| Total investments with maturities | 3,674,668 | \$ 862,666 | \$ 2,590,567 | \$ 221,435 |
| <u>Other investments:</u> | | | | |
| Equities | 534,549 | | | |
| State Retirees Benefits Trust Fund | 15,469,023 | | | |
| Total Investments | \$ 19,678,240 | | | |

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, 2020:

| Credit Rating | U.S. | |
|---------------|------------------------|-----------------|
| | Government Obligations | Corporate Bonds |
| Aaa | \$ 1,709,952 | \$ - |
| Aa3 | - | 117,348 |
| A1 | - | 188,332 |
| A2 | - | 357,376 |
| A3 | - | 423,922 |
| Baa1 | - | 520,103 |
| Baa2 | - | 357,635 |
| | \$ 1,709,952 | \$ 1,964,716 |

B. Receivables

Receivables as of June 30, 2020 for the Town’s major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|----------------------------|---------------------|---------------------------------|---------------------|
| Property taxes | \$ 1,059,602 | \$ - | \$ 1,059,602 |
| Tax liens | 890,887 | - | 890,887 |
| Motor vehicle excise taxes | 242,052 | - | 242,052 |
| Ambulance | 305,892 | (201,900) | 103,992 |
| Departmental | 19,015 | - | 19,015 |
| Intergovernmental | <u>1,135,552</u> | <u>-</u> | <u>1,135,552</u> |
| | <u>\$ 3,653,000</u> | <u>\$ (201,900)</u> | <u>\$ 3,451,100</u> |

Receivables reported in the business-type activities as of June 30, 2020 consisted entirely of user charges receivable from the Town’s water operations. No amounts were provided as 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, 2020 in the governmental funds:

| | General Fund | Community Preservation Fund | Nonmajor Governmental Funds | Total |
|----------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Property taxes | \$ 501,820 | \$ 11,607 | \$ - | \$ 513,427 |
| Tax liens | 885,130 | 5,757 | - | 890,887 |
| Intergovernmental | 1,034,315 | - | - | 1,034,315 |
| Motor vehicle excise taxes | 242,052 | - | - | 242,052 |
| Departmental | 19,015 | - | - | 19,015 |
| Ambulance | <u>-</u> | <u>-</u> | <u>103,992</u> | <u>103,992</u> |
| | <u>\$ 2,682,332</u> | <u>\$ 17,364</u> | <u>\$ 103,992</u> | <u>\$ 2,803,688</u> |

MSBA Assistance Reimbursement – The Town expects to receive approximately \$1.9 million from the Massachusetts School Building Authority, or MSBA, of the Commonwealth of Massachusetts in the form of principal and interest subsidies for approved school construction costs at June 30, 2020. This amount will be reimbursed to the Town in equal annual installments over the balance of the life of the related bonds used to finance the school building projects. The net present value of these future payments is included in the governmental funds as an intergovernmental receivable.

C. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|----------------------|---------------------|--------------------|----------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,635,543 | \$ - | \$ - | \$ 6,635,543 |
| Construction in-progress | 45,139 | - | (45,139) | - |
| Total capital assets not being depreciated | <u>6,680,682</u> | <u>-</u> | <u>(45,139)</u> | <u>6,635,543</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 84,268,519 | 260,989 | - | 84,529,508 |
| Infrastructure | 14,284,819 | 558,257 | - | 14,843,076 |
| Machinery and equipment | 7,105,180 | 920,763 | (198,916) | 7,827,027 |
| Vehicles | 3,094,012 | 1,027,925 | (465,244) | 3,656,693 |
| Total capital assets being depreciated | <u>108,752,530</u> | <u>2,767,934</u> | <u>(664,160)</u> | <u>110,856,304</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (37,189,268) | (2,145,689) | - | (39,334,957) |
| Infrastructure | (2,369,758) | (357,957) | - | (2,727,715) |
| Machinery and equipment | (4,200,571) | (610,806) | 198,916 | (4,612,461) |
| Vehicles | (2,437,112) | (266,752) | 465,244 | (2,238,620) |
| Total accumulated depreciation | <u>(46,196,709)</u> | <u>(3,381,204)</u> | <u>664,160</u> | <u>(48,913,753)</u> |
| Total capital assets being depreciated, net | <u>62,555,821</u> | <u>(613,270)</u> | <u>-</u> | <u>61,942,551</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 69,236,503</u> | <u>\$ (613,270)</u> | <u>\$ (45,139)</u> | <u>\$ 68,578,094</u> |

For the fiscal year ended June 30, 2020, depreciation expense was charged to functions/programs within governmental activities as follows:

| | |
|---------------------------|---------------------|
| General government | \$ 147,358 |
| Public safety | 596,354 |
| Education | 1,943,171 |
| Public works | 553,587 |
| Health and human services | 28,743 |
| Culture and recreation | 111,991 |
| | <u>\$ 3,381,204</u> |

| | 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 | - | 735,719 | - | 735,719 |
| Total capital assets not being depreciated | <u>1,000,000</u> | <u>735,719</u> | <u>-</u> | <u>1,735,719</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 16,807,120 | - | - | 16,807,120 |
| Infrastructure | 7,661,005 | 582,187 | - | 8,243,192 |
| Machinery and equipment | 992,901 | - | - | 992,901 |
| Vehicles | 335,482 | 59,731 | (56,557) | 338,656 |
| Total capital assets being depreciated | <u>25,796,508</u> | <u>641,918</u> | <u>(56,557)</u> | <u>26,381,869</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,319,296) | (411,139) | - | (7,730,435) |
| Infrastructure | (867,276) | (179,453) | - | (1,046,729) |
| Machinery and equipment | (601,608) | (49,553) | - | (651,161) |
| Vehicles | (221,662) | (38,519) | 56,557 | (203,624) |
| Total accumulated depreciation | <u>(9,009,842)</u> | <u>(678,664)</u> | <u>56,557</u> | <u>(9,631,949)</u> |
| Total capital assets being depreciated, net | <u>16,786,666</u> | <u>(36,746)</u> | <u>-</u> | <u>16,749,920</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 17,786,666</u> | <u>\$ 698,973</u> | <u>\$ -</u> | <u>\$ 18,485,639</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 | 2,041,488 | - | - | 2,041,488 |
| Total capital assets being depreciated | <u>2,041,488</u> | <u>-</u> | <u>-</u> | <u>2,041,488</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (829,639) | (53,448) | - | (883,087) |
| Total accumulated depreciation | <u>(829,639)</u> | <u>(53,448)</u> | <u>-</u> | <u>(883,087)</u> |
| Total capital assets being depreciated, net | <u>1,211,849</u> | <u>(53,448)</u> | <u>-</u> | <u>1,158,401</u> |
| Total Golf | <u>\$ 2,211,849</u> | <u>\$ (53,448)</u> | <u>\$ -</u> | <u>\$ 2,158,401</u> |

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-----------------------------------------------|------------------------------|-------------------|------------------|---------------------------|
| <u>Business-Type Activities: Water</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in-progress | \$ - | \$ 735,719 | \$ - | \$ 735,719 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 14,765,632 | - | - | 14,765,632 |
| Infrastructure | 7,661,005 | 582,187 | - | 8,243,192 |
| Machinery and equipment | 992,901 | - | - | 992,901 |
| Vehicles | 335,482 | 59,731 | (56,557) | 338,656 |
| Total capital assets being depreciated | <u>23,755,020</u> | <u>641,918</u> | <u>(56,557)</u> | <u>24,340,381</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (6,489,657) | (357,691) | - | (6,847,348) |
| Infrastructure | (867,276) | (179,453) | - | (1,046,729) |
| Machinery and equipment | (601,608) | (49,553) | - | (651,161) |
| Vehicles | (221,662) | (38,519) | 56,557 | (203,624) |
| Total accumulated depreciation | <u>(8,180,203)</u> | <u>(625,216)</u> | <u>56,557</u> | <u>(8,748,862)</u> |
| Total capital assets being depreciated, net | <u>15,574,817</u> | <u>16,702</u> | <u>-</u> | <u>15,591,519</u> |
| Total Water | <u>\$ 15,574,817</u> | <u>\$ 752,421</u> | <u>\$ -</u> | <u>\$ 16,327,238</u> |

D. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2020 were as follows:

| <u>Transfers Out</u> | <u>Transfers In</u> | | | <u>Total</u> | |
|----------------------|-------------------------|-------------------------------------|--------------------------------------|---------------------|-----|
| | <u>General Fund</u> | <u>Capital Reserve Fund</u> | <u>Water Enterprise Fund</u> | | |
| General Fund | \$ - | \$ 4,217,154 | \$ 22,109 | \$ 4,239,263 | (1) |
| Capital Reserve Fund | 1,472,144 | - | - | 1,472,144 | (2) |
| Golf Enterprise Fund | 60,000 | - | - | 60,000 | (3) |
| | <u>\$ 1,532,144</u> | <u>\$ 4,217,154</u> | <u>\$ 22,109</u> | <u>\$ 5,771,407</u> | |

- (1) Budgeted transfers were made from the general fund to the capital reserve fund. Additional transfers made to water enterprise from reserve funds for specific purposes.
- (2) Transfer from capital reserve fund to the general fund for capital articles.
- (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 the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANs”), grant anticipation notes 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 and carry maturity dates that are limited by state law.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. There were no temporary debt activities in fiscal year 2020.

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, 2020:

| Description of Issue | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---------------------------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| <i>Governmental Activities:</i> | | | | | |
| General obligation bonds | \$ 12,014,800 | \$ 2,415,000 | \$ (7,530,000) | \$ 6,899,800 | \$ 2,629,800 |
| Unamortized bond premium | 44,217 | 377,573 | (57,721) | 364,069 | 92,747 |
| Notes from direct borrowings and placements | 15,000 | - | (15,000) | - | - |
| Compensated absences | 323,030 | 40,667 | - | 363,697 | 145,479 |
| Net other postemployment benefits liability | 24,106,874 | 11,397,346 | (5,986,345) | 29,517,875 | - |
| Net pension liability | 26,159,376 | 7,666,287 | (8,309,484) | 25,516,179 | - |
| Total Governmental Activities | \$ 62,663,297 | \$ 21,896,873 | \$ (21,898,550) | \$ 62,661,620 | \$ 2,868,026 |
| Description of Issue | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
| <i>Business-Type Activities:</i> | | | | | |
| Water: | | | | | |
| General obligation bonds | \$ 2,580,000 | \$ - | \$ (465,000) | \$ 2,115,000 | \$ 465,000 |
| Unamortized bond premium | 89,642 | - | (30,366) | 59,276 | 22,670 |
| Notes from direct borrowings and placements | 2,082,111 | - | (110,210) | 1,971,901 | 112,605 |
| Net other postemployment benefits liability | 301,889 | 135,749 | (93,833) | 343,805 | - |
| Net pension liability | 1,189,684 | 352,292 | (381,543) | 1,160,433 | - |
| Total Water | 6,243,326 | 488,041 | (1,080,952) | 5,650,415 | 600,275 |
| Golf: | | | | | |
| General obligation bonds | 140,200 | - | (90,000) | 50,200 | 50,200 |
| Total Business-Type Activities | \$ 6,383,526 | \$ 488,041 | \$ (1,170,952) | \$ 5,700,615 | \$ 650,475 |

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, 2020 were as follows:

| Description | Interest Rate | Beginning Balance | Additions | Retirements | Ending Balance |
|------------------------------------------|---------------|----------------------|---------------------|-----------------------|---------------------|
| <i>Governmental Activities:</i> | | | | | |
| General obligation bonds | 2.00 - 5.00% | \$ 12,014,800 | \$ 2,415,000 | \$ (7,530,000) | \$ 6,899,800 |
| MCWT Note | 2.00% | 15,000 | - | (15,000) | - |
| Total Governmental Activities | | 12,029,800 | 2,415,000 | (7,545,000) | 6,899,800 |
| Add: Unamortized bond premium | | 44,217 | 377,573 | (57,721) | 364,069 |
| Total Governmental Activities, net | | <u>\$ 12,074,017</u> | <u>\$ 2,792,573</u> | <u>\$ (7,602,721)</u> | <u>\$ 7,263,869</u> |
| <i>Business-Type Activities - Water:</i> | | | | | |
| General obligation bonds | 3.25 - 5.0% | \$ 2,580,000 | \$ - | \$ (465,000) | \$ 2,115,000 |
| MCWT Note | 2.00% | 2,082,111 | - | (110,210) | 1,971,901 |
| Total Water | | 4,662,111 | - | (575,210) | 4,086,901 |
| Add: Unamortized bond premium | | 89,642 | - | (30,366) | 59,276 |
| Total Water, net | | <u>4,751,753</u> | <u>-</u> | <u>(605,576)</u> | <u>4,146,177</u> |
| <i>Business-Type Activities - Golf:</i> | | | | | |
| General obligation bond | 3.50 - 5.00% | 140,200 | - | (90,000) | 50,200 |
| Total Business-Type Activities, net | | <u>\$ 4,891,953</u> | <u>\$ -</u> | <u>\$ (695,576)</u> | <u>\$ 4,196,377</u> |

Debt service requirements on long-term debt at June 30, 2020 are as follows:

| Year Ended June 30, | Governmental Activities | |
|------------------------|--------------------------|-------------------|
| | General Obligation Bonds | |
| | Principal | Interest |
| 2021 | \$ 2,629,800 | \$ 329,474 |
| 2022 | 2,200,000 | 198,638 |
| 2023 | 530,000 | 94,630 |
| 2024 | 300,000 | 73,650 |
| 2025 | 300,000 | 58,650 |
| 2026-2029 | 940,000 | 92,300 |
| | <u>\$ 6,899,800</u> | <u>\$ 847,342</u> |

| Business-Type Activities: Combined | | | | |
|------------------------------------|--------------------------|-------------------|----------------------------------|-------------------|
| Year Ended June 30, | General Obligation Bonds | | Direct Borrowings and Placements | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 515,200 | \$ 63,179 | \$ 112,605 | \$ 39,438 |
| 2022 | 470,000 | 38,725 | 115,052 | 37,186 |
| 2023 | 305,000 | 20,580 | 117,553 | 34,855 |
| 2024 | 300,000 | 14,500 | 120,108 | 32,534 |
| 2025 | 290,000 | 8,600 | 122,718 | 30,132 |
| 2026-2030 | 285,000 | 2,850 | 654,775 | 112,759 |
| 2031-2035 | - | - | 729,090 | 44,372 |
| | <u>\$ 2,165,200</u> | <u>\$ 148,434</u> | <u>\$ 1,971,901</u> | <u>\$ 331,276</u> |

| Business-Type Activities: Water | | | | |
|---------------------------------|--------------------------|-------------------|----------------------------------|-------------------|
| Year Ended June 30, | General Obligation Bonds | | Direct Borrowings and Placements | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 465,000 | \$ 62,100 | \$ 112,605 | \$ 39,438 |
| 2022 | 470,000 | 38,725 | 115,052 | 37,186 |
| 2023 | 305,000 | 20,580 | 117,553 | 34,855 |
| 2024 | 300,000 | 14,500 | 120,108 | 32,534 |
| 2025 | 290,000 | 8,600 | 122,718 | 30,132 |
| 2026-2030 | 285,000 | 2,850 | 654,775 | 112,759 |
| 2031-2035 | - | - | 729,090 | 44,372 |
| | <u>\$ 2,115,000</u> | <u>\$ 147,355</u> | <u>\$ 1,971,901</u> | <u>\$ 331,276</u> |

| Business-Type Activities: Golf | | | | |
|--------------------------------|--------------------------|-----------------|----------------------------------|-------------|
| Year Ended June 30, | General Obligation Bonds | | Direct Borrowings and Placements | |
| | Principal | Interest | Principal | Interest |
| 2021 | <u>\$ 50,200</u> | <u>\$ 1,079</u> | <u>\$ -</u> | <u>\$ -</u> |

Authorized and Unissued Debt – At June 30, 2020, the Town has \$8,375,000 in authorized and unissued debt related to a water treatment plant.

G. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2020 are detailed as follows:

| | General | Community Preservation Fund | Capital Reserve Fund | Nonmajor Governmental Funds | Total |
|-----------------------------|----------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------|
| Nonspendable: | | | | | |
| Prepaid items and inventory | \$ 597,726 | \$ - | \$ - | \$ - | \$ 597,726 |
| Restricted: | | | | | |
| Expendable trust funds | - | - | - | 509,016 | 509,016 |
| General government | - | 3,139,882 | - | 585,494 | 3,725,376 |
| Public safety | - | - | - | 853,811 | 853,811 |
| Education | - | - | - | 4,554,980 | 4,554,980 |
| Culture and recreation | - | - | - | 441,804 | 441,804 |
| Other purposes | 39,890 | - | - | 199,888 | 239,778 |
| Committed: | | | | | |
| General government | 309,876 | - | 6,503,194 | - | 6,813,070 |
| Public safety | 155,554 | - | - | - | 155,554 |
| Education | 262,544 | - | - | - | 262,544 |
| Public works | 96,028 | - | - | - | 96,028 |
| Other purposes | 20,464 | - | - | - | 20,464 |
| Assigned: | | | | | |
| Education | 105,634 | - | - | - | 105,634 |
| Public works | 127,025 | - | - | - | 127,025 |
| Other purposes | 135,513 | - | - | - | 135,513 |
| Unassigned: | | | | | |
| Unrestricted | 4,516,418 | - | - | (41,001) | 4,475,417 |
| Stabilization fund | 6,737,488 | - | - | - | 6,737,488 |
| | <u>\$ 13,104,160</u> | <u>\$ 3,139,882</u> | <u>\$ 6,503,194</u> | <u>\$ 7,103,992</u> | <u>\$ 29,851,228</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 Fund – 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.

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 \$844,466 of encumbrances from Town Meeting in the general fund as committed and \$368,172 of encumbrances from normal purchasing activity as assigned at June 30, 2020. There are no encumbrances reported in other funds.

H. Economic Dependence and Concentrations

During the year ended June 30, 2020, approximately 28% of revenues of the general fund were recognized from the Commonwealth of Massachusetts as well as the federal government.

A single taxpayer represented approximately \$308,000, or 35%, of the total tax title receivable balance at June 30, 2020. 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, 2019 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 for all seventy-one participating employers as of December 31, 2019 was as follows:

| | |
|----------------------------|---------------|
| Active members | 9,282 |
| Inactive members | 3,082 |
| Disabled members | 381 |
| Retirees and beneficiaries | <u>5,862</u> |
| | <u>18,607</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 throughout the Commonwealth. 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 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 MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Town contributed \$2,332,595 to the Retirement System in fiscal year 2020, which slightly exceeded its actuarially-determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll were approximately 20% in fiscal year 2020.

Net Pension Liability – At June 30, 2020, the Town reported a liability of \$26,676,612 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2019. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. The Retirement System reduced the discount rate used in the 2019 actuarial study from 7.5% to 7.3%; there were no other significant changes to actuarial assumptions in fiscal year 2020.

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 1.67% at December 31, 2019 versus approximately 1.75% at December 31, 2018.

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, 2019, 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 \$3,724,143 in pension expense in the statement of activities in fiscal year 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, 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 |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 649,099 | \$ 60,416 |
| Changes of assumptions | 1,837,114 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 692,256 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 940,604 | 1,390,777 |
| | <u>\$ 3,426,817</u> | <u>\$ 2,143,449</u> |

The deferred outflows of resources at June 30, 2020 are expected to be recognized in the Town’s pension expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|---------------------|
| 2021 | \$ 583,903 |
| 2022 | 408,547 |
| 2023 | 481,307 |
| 2024 | <u>(190,389)</u> |
| | <u>\$ 1,283,368</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 2020 through fiscal 2027, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments |
| Inflation Rate | 3.25% |
| 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 | 7.30%, net of pension plan investment expense, including inflation (previously 7.5%) |
| Pre-Retirement Mortality Rates | The RP-2014 Employee Mortality Table projected generationally with Scale MP-2017 |
| Post-Retirement Mortality Rates | The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017. |
| Disabled Retiree Mortality Rates | The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017 |

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 weighting 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, 2019 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|-------------------|----------------------------------------|
| Domestic equity | 21.00% | 6.15% |
| International equity | 13.00% | 6.78% |
| Emerging markets equity | 5.00% | 8.65% |
| Core fixed income | 15.00% | 1.11% |
| High-yield fixed income | 8.00% | 3.51% |
| Real estate | 10.00% | 4.33% |
| Commodities | 4.00% | 4.13% |
| Hedge funds, GTAA, risk parity | 11.00% | 3.19% |
| Private equity | 13.00% | 9.99% |

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2019 was 7.3% (previously 7.5%). 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 and higher than the current rate:

| Current Discount Rate | Net OPEB Liability At | | |
|--------------------------|-----------------------|---------------|---------------|
| | 1% Decrease | Current Rate | 1% Increase |
| 7.30% | \$ 32,783,443 | \$ 26,676,612 | \$ 21,537,870 |

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, 2020, the Commonwealth contributed \$4,647,534 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 0.32%, 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, 2020 was \$81,167,976.

The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2020 was \$9,843,026. 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, 2020.

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, 2020.

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, 2020:

| | |
|--------------------------------------------------------|------------|
| Inactive employees or beneficiaries receiving benefits | 378 |
| Active employees | <u>619</u> |
| | <u>997</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 2020. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2020, 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, 2019 and a measurement date of June 30, 2020. The components of the net OPEB liability at June 30, 2020 were as follows:

| | |
|-----------------------------------------------|----------------------|
| Total other postemployment benefits liability | \$ 45,330,703 |
| Plan fiduciary net position | <u>(15,469,023)</u> |
| Net other postemployment benefits liability | <u>\$ 29,861,680</u> |

| | |
|--------------------------------------------------------------------------------------------------|-------|
| Plan fiduciary net position as a percentage of the total other postemployment benefits liability | 34.1% |
|--------------------------------------------------------------------------------------------------|-------|

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 | 4.5% (previously 5.0%) |
| Single Equivalent Discount Rate | 7.0%, net of investment expenses, including inflation |
| 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 Collar 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return 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% | 4.80% |
| Domestic equities - small/mid cap | 3.50% | 5.29% |
| International equities - developed markets | 16.00% | 5.45% |
| International equities - emerging markets | 6.00% | 6.42% |
| Fixed income - domestic | 20.00% | 2.05% |
| Fixed income - international | 3.00% | 3.00% |
| Alternatives | 23.00% | 6.50% |
| Real estate | 14.00% | 6.25% |
| Cash | <u>0.00%</u> | <u>0.00%</u> |
| Total | <u>100.00%</u> | |
| Real rate of return | | 5.01% |
| Inflation assumption | | <u>2.50%</u> |
| Total nominal return | | 7.51% |
| Less investment expense | | <u>-0.50%</u> |
| Net investment return | | <u>7.01%</u> |

Discount Rate – The discount rate used to measure the total OPEB liability was 7.0%, 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, 2020:

| | Increase (Decrease) | | |
|---------------------------|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| | <i>(a)</i> | <i>(b)</i> | <i>(a) - (b)</i> |
| Balances at June 30, 2019 | \$ 38,098,308 | \$ 13,689,545 | \$ 24,408,763 |
| Changes for the year: | | | |
| Service cost | 1,164,959 | - | 1,164,959 |
| Interest | 2,674,209 | - | 2,674,209 |
| Changes in assumptions | 4,961,449 | - | 4,961,449 |
| Experience differences | 588,827 | - | 588,827 |
| Employer contributions | - | 3,657,049 | (3,657,049) |
| Net investment income | - | 279,478 | (279,478) |
| Benefit payments | <u>(2,157,049)</u> | <u>(2,157,049)</u> | <u>-</u> |
| Net changes | <u>7,232,395</u> | <u>1,779,478</u> | <u>5,452,917</u> |
| Balances at June 30, 2020 | <u>\$ 45,330,703</u> | <u>\$ 15,469,023</u> | <u>\$ 29,861,680</u> |

There were a number of changes in assumptions made in the current year’s actuarial study. The most notable included changes in mortality tables and healthcare trend rates.

Sensitivity Analyses – The following presents the Town’s net OPEB liability at June 30, 2020 as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower and higher than the current discount rate:

| Current Discount Rate | Net OPEB Liability At | | |
|--------------------------|-----------------------|---------------|---------------|
| | 1% Decrease | Current Rate | 1% Increase |
| 7.00% | \$ 35,253,135 | \$ 29,861,680 | \$ 24,470,225 |

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 and higher than the current healthcare cost trend rates:

| Health Insurance Trend Rate | Net OPEB Liability At | | |
|--------------------------------|-----------------------|---------------|---------------|
| | 1% Decrease | Current Rate | 1% Increase |
| 4.50% | \$ 24,775,735 | \$ 29,861,680 | \$ 36,002,262 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$4,319,232. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020 were reported as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 501,723 | \$ 44,337 |
| Changes of assumptions | 6,014,170 | - |
| Net difference between projected and actual earnings on OPEB Plan investments | 555,582 | - |
| | <u>\$ 7,071,475</u> | <u>\$ 44,337</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:

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| 2021 | \$ 1,491,386 |
| 2022 | 1,491,385 |
| 2023 | 1,548,938 |
| 2024 | 1,050,383 |
| 2025 | 821,046 |
| Thereafter | 624,000 |
| | <u>\$ 7,027,138</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, with the approval of the SRBT Board of Trustees, be invested in the SRBT. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan 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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 1.9%. 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 – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties. The outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2020 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, 2020.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“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.

COVID-19 – In March 2020, the World Health Organization declared the breakout of the novel coronavirus (“COVID-19”) a pandemic. Resulting travel restrictions, business closures and disruptions to municipal operations negatively affecting the Town’s financial condition in a variety of ways. While this disruption is currently believed to be temporary, there is uncertainty around its duration.

The Commonwealth has committed to level-fund fiscal year 2021 state aid; however, there exists the possibility that future years' budgets at the state level may affect local aid. While the Town expects that this matter may negatively impact its fiscal year 2021 results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

None.

B. Future Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 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 issued 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 2024). 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 2024). The Town is currently evaluating whether adoption will have a material impact on the 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 is 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 are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). 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 |
|------------------------|-----------------------------------------------|--------------------------------------------------------|--------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 2020 | 1.67% | \$ 26,677 | \$ 11,385 | 234.3% | 0.0% |
| 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 |
|------------------------|-------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------|--------------------|--------------------------------------------------------|
| 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 |
|----------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 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, | | | |
|----------------------------------------------------------------------------|---------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability: | | | | |
| Service cost | \$ 1,165 | \$ 1,018 | \$ 929 | \$ 965 |
| Interest | 2,674 | 2,546 | 2,194 | 2,088 |
| Differences between actual and expected experience | 589 | - | (87) | - |
| Changes in assumptions | 4,962 | - | 3,488 | - |
| Benefit payments | <u>(2,157)</u> | <u>(1,623)</u> | <u>(1,540)</u> | <u>(1,455)</u> |
| Net Change in Total OPEB Liability | <u>7,233</u> | <u>1,941</u> | <u>4,984</u> | <u>1,598</u> |
| Total OPEB Liability: | | | | |
| Beginning of year | <u>38,098</u> | <u>36,157</u> | <u>31,173</u> | <u>29,575</u> |
| End of year (a) | <u>\$ 45,331</u> | <u>\$ 38,098</u> | <u>\$ 36,157</u> | <u>\$ 31,173</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions | \$ 3,657 | \$ 3,123 | \$ 3,040 | \$ 2,955 |
| Net investment income | 280 | 714 | 973 | 1,014 |
| Benefit payments | <u>(2,157)</u> | <u>(1,623)</u> | <u>(1,540)</u> | <u>(1,455)</u> |
| Net Change in Plan Fiduciary Net Position | <u>1,780</u> | <u>2,214</u> | <u>2,473</u> | <u>2,514</u> |
| Plan Fiduciary Net Position: | | | | |
| Beginning of year | <u>13,689</u> | <u>11,475</u> | <u>9,002</u> | <u>6,488</u> |
| End of year (b) | <u>\$ 15,469</u> | <u>\$ 13,689</u> | <u>\$ 11,475</u> | <u>\$ 9,002</u> |
| Net OPEB Liability — End of Year | <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 | 34.1% | 35.9% | 31.7% | 28.9% |
| Covered payroll | \$ 38,920 | \$ 35,203 | \$ 34,177 | \$ 35,188 |
| Net OPEB Liability as a Percentage of Covered Payroll | 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, | | | |
|----------------------------------------------------------------------|---------------------|-----------|-----------|-----------|
| | 2020 | 2019 | 2018 | 2017 |
| Actuarially determined contribution | \$ 3,414 | \$ 2,856 | \$ 2,599 | \$ 2,709 |
| Contributions in relation to the actuarially determined contribution | (3,657) | (3,123) | (3,040) | (2,956) |
| Contribution deficiency (excess) | \$ (243) | \$ (267) | \$ (441) | \$ (247) |
| Covered payroll | \$ 38,920 | \$ 35,202 | \$ 34,177 | \$ 35,188 |
| Contribution as a percentage of covered payroll | 9.40% | 8.87% | 8.89% | 8.40% |

Notes to Schedule:

| | |
|---------------------------------|--------------------------------------------------------|
| Valuation date | July 1, 2019 |
| Asset valuation method | Market value of the assets as of the reporting date |
| Actuarial cost method | Individual entry age normal |
| Inflation | 2.50% |
| Investment rate of return | 7.01% net of investment expenses, including inflation |
| Single equivalent discount rate | 7.00%, net of investment expenses, including inflation |
| Healthcare cost trend rates | 4.5% (previously 5.0%) |

SCHEDULE OF INVESTMENT RETURNS

| | Year Ended June 30, | | | |
|------------------------------------------------------------------|---------------------|-------|-------|--------|
| | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return, net of investment expenses | 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, 2020**

| | Budgeted Amounts | | Actual Budgetary Amounts | Encumbrances | Actual Budgetary Adjusted | Positive (Negative) Variance |
|--------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------------------|---------------------|---------------------------------|------------------------------------|
| | Original Budget | Final Budget | | | | |
| Revenues : | | | | | | |
| Property taxes, net of tax refunds | \$ 49,862,229 | \$ 49,862,229 | \$ 49,839,608 | | \$ 49,839,608 | \$ (22,621) |
| Intergovernmental | 11,927,634 | 11,927,634 | 12,002,186 | | 12,002,186 | 74,552 |
| Motor vehicle and other excise taxes | 2,110,000 | 2,110,000 | 2,449,171 | | 2,449,171 | 339,171 |
| Licenses and permits | 350,000 | 350,000 | 406,284 | | 406,284 | 56,284 |
| Penalties and interest on taxes | 130,000 | 130,000 | 186,241 | | 186,241 | 56,241 |
| Fines and forfeitures | 45,000 | 45,000 | 38,455 | | 38,455 | (6,545) |
| Departmental and other revenues | 719,886 | 719,886 | 1,392,863 | | 1,392,863 | 672,977 |
| Investment income | 50,000 | 50,000 | 165,305 | | 165,305 | 115,305 |
| Total Revenues | 65,194,749 | 65,194,749 | 66,480,113 | | 66,480,113 | 1,285,364 |
| Expenditures: | | | | | | |
| General government | 2,950,777 | 2,907,702 | 2,263,869 | \$ 311,175 | 2,575,044 | 332,658 |
| Public safety | 5,755,375 | 5,755,375 | 5,219,773 | 188,068 | 5,407,841 | 347,534 |
| Education | 37,734,704 | 37,734,704 | 37,231,986 | 368,178 | 37,600,164 | 134,540 |
| Public works | 3,858,094 | 3,858,094 | 3,512,427 | 223,053 | 3,735,480 | 122,614 |
| Health and human services | 611,063 | 633,063 | 609,300 | 1,700 | 611,000 | 22,063 |
| Culture and recreation | 709,958 | 709,958 | 682,685 | 20,464 | 703,149 | 6,809 |
| Pension and fringe benefits | 9,603,237 | 9,603,237 | 9,084,387 | 100,000 | 9,184,387 | 418,850 |
| State and county charges | 872,508 | 872,508 | 799,319 | - | 799,319 | 73,189 |
| Debt service | 5,298,869 | 5,298,869 | 5,297,966 | - | 5,297,966 | 903 |
| Total Expenditures | 67,394,585 | 67,373,510 | 64,701,712 | \$ 1,212,638 | 65,914,350 | 1,459,160 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 1,472,144 | 1,472,144 | 1,785,973 | | 1,785,973 | 313,829 |
| Transfers out | (4,468,188) | (4,489,263) | (4,740,517) | | (4,740,517) | (251,254) |
| Total Other Financing Sources (Uses) | (2,996,044) | (3,017,119) | (2,954,544) | | (2,954,544) | 62,575 |
| (Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (5,195,880) | (5,195,880) | \$ (1,176,143) | | \$ (2,388,781) | \$ 2,807,099 |
| Other Budgetary Items: | | | | | | |
| Prior year encumbrances | 2,328,776 | 2,328,776 | | | | |
| Free cash | 2,867,104 | 2,867,104 | | | | |
| Total Other Budgetary Items | 5,195,880 | 5,195,880 | | | | |
| 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, 2020

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 | | | \$ 66,480,113 |
| On behalf payments | \$ 9,843,026 | \$ - | 9,843,026 |
| Revenue recognition | 353,566 | - | 353,566 |
| Stabilization interest | - | 121,603 | 121,603 |
| Revenues — GAAP basis | <u>\$ 10,196,592</u> | <u>\$ 121,603</u> | <u>\$ 76,798,308</u> |
| Expenditures — budgetary basis | | | \$ 64,701,712 |
| Expense recognition | \$ (231,012) | \$ - | (231,012) |
| On behalf payments | 9,843,026 | - | 9,843,026 |
| Expenditures — GAAP basis | <u>\$ 9,612,014</u> | <u>\$ -</u> | <u>\$ 74,313,726</u> |
| Net transfers — budgetary basis | | | \$ (2,954,544) |
| Debt service transfers | \$ - | \$ (92,879) | (92,879) |
| Stabilization transfers | - | 340,304 | 340,304 |
| Net transfers — GAAP basis | <u>\$ -</u> | <u>\$ 247,425</u> | <u>\$ (2,707,119)</u> |