

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF HOLLISTON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information

Year Ended June 30, 2018



TOWN OF HOLLISTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
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, 2018, 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, 2018, 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.

Restatement

We audited the Town's basic financial statements for the year ended June 30, 2017, for which we issued an unmodified opinion dated February 28, 2018. As discussed in Note V to the financial statements, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. In connection with the adoption of this accounting standard, previously reported total net positions in the governmental activities and business-type activities in the Statement of Net Position as well as those in the proprietary funds were restated. Our opinion was not modified with respect to the matter.

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 January 28, 2019, 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

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
January 28, 2019

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, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town adopted a new accounting pronouncement related to other postemployment benefits, or OPEB, in fiscal year 2018. As a result, beginning net positions in the Town's governmental activities and business-type activities decreased approximately \$14,103,000 and \$104,000, respectively.
- 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 \$58.2 million (*total net position*). The Town's total net position increased by approximately \$8.1 million in 2018. The net position in governmental activities increased nearly \$5.9 million while the net position in the business-type activities increased nearly \$2.3 million. These increases were relatively consistent with the increases in fiscal year 2017.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit is primarily due to the cumulative effect of non-cash, employee benefit related liabilities surrounding net pension and net OPEB liabilities, which totaled approximately \$47.1 million at June 30, 2018.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$21.1 million, which is approximately \$2.7 million higher than the prior year. This increase was due primarily to an increase in the fund balances of the general fund, capital reserve fund and nonmajor funds of approximately \$1.3 million, \$1.0 million and \$0.8 million, respectively. Of the ending fund balance, almost \$7.1 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was approximately \$7.1 million, which represents nearly 11% of the total fiscal year 2018 general fund expenditures. The June 30, 2018 total general fund balance of approximately \$11.8 million represented nearly 18% of the total fiscal year 2018 general fund expenditures.
- The Town's total gross long-term debt obligations decreased nearly \$5.7 million during the current fiscal year, which was entirely due to scheduled repayments and maturities of general obligation bonds and other long-term debt.

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 water and golf 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 expenses) 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 water and golf 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:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2018	2017 (a)	2018	2017 (a)	2018	2017 (a)
ASSETS						
Current and other assets	\$ 35,968,253	\$ 36,660,606	\$ 7,539,461	\$ 5,907,536	\$ 43,507,714	\$ 42,568,142
Capital assets, net	70,021,699	69,136,455	17,640,087	17,692,307	87,661,786	86,828,762
Total Assets	<u>105,989,952</u>	<u>105,797,061</u>	<u>25,179,548</u>	<u>23,599,843</u>	<u>131,169,500</u>	<u>129,396,904</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,669,242</u>	<u>2,868,242</u>	<u>162,851</u>	<u>130,443</u>	<u>5,832,093</u>	<u>2,998,685</u>
LIABILITIES						
Long-term liabilities	64,239,701	66,819,889	6,927,828	7,615,936	71,167,529	74,435,825
Other liabilities	4,968,307	6,360,300	85,741	78,818	5,054,048	6,439,118
Total Liabilities	<u>69,208,008</u>	<u>73,180,189</u>	<u>7,013,569</u>	<u>7,694,754</u>	<u>76,221,577</u>	<u>80,874,943</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,096,559</u>	<u>1,002,664</u>	<u>85,506</u>	<u>45,599</u>	<u>2,182,065</u>	<u>1,048,263</u>
NET POSITION						
Net investment in capital assets	58,965,606	55,317,036	12,052,265	11,403,330	71,017,871	66,720,366
Restricted	11,492,354	8,417,239	-	-	11,492,354	8,417,239
Unrestricted	<u>(30,103,333)</u>	<u>(29,251,825)</u>	<u>6,191,059</u>	<u>4,586,603</u>	<u>(23,912,274)</u>	<u>(24,665,222)</u>
Total Net Position	<u>\$ 40,354,627</u>	<u>\$ 34,482,450</u>	<u>\$ 18,243,324</u>	<u>\$ 15,989,933</u>	<u>\$ 58,597,951</u>	<u>\$ 50,472,383</u>

(a) As restated for the adoption of GASB Statement No. 75. Refer to Note V to the financial statements.

As noted earlier, net position may service over time as a useful indicated of a government's financial position. The Town's total net position increased by over \$8.1million in fiscal year 2018. This increase was relatively consistent with the approximate \$7.3 million increase in 2017.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), 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.

The remaining balance is classified as *unrestricted net position* and is a deficit balance at both June 30, 2018 and 2017. 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 over \$47.1 million and \$1.3 million at June 30, 2018 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	
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 5,657,934	\$ 5,939,451	\$ 4,648,481	\$ 4,553,234	\$ 10,306,415	\$ 10,492,685
Operating grants and contributions	19,242,814	19,356,175	-	-	19,242,814	19,356,175
Capital grants and contributions	725,394	1,135,512	-	-	725,394	1,135,512
General revenues:						
Property taxes	47,009,049	44,912,451	-	-	47,009,049	44,912,451
Intergovernmental	1,577,529	1,281,037	-	-	1,577,529	1,281,037
Other	2,797,403	2,678,477	-	103	2,797,403	2,678,580
Total revenues	<u>77,010,123</u>	<u>75,303,103</u>	<u>4,648,481</u>	<u>4,553,337</u>	<u>81,658,604</u>	<u>79,856,440</u>
EXPENSES						
General government	3,961,437	3,708,525	-	-	3,961,437	3,708,525
Public safety	6,647,095	6,341,302	-	-	6,647,095	6,341,302
Education	54,664,505	52,967,852	-	-	54,664,505	52,967,852
Public works	2,741,829	4,372,157	-	-	2,741,829	4,372,157
Health and human services	1,023,365	800,472	-	-	1,023,365	800,472
Culture and recreation	1,507,922	1,286,003	-	-	1,507,922	1,286,003
Debt service	651,793	758,590	-	-	651,793	758,590
Water	-	-	2,272,279	2,211,904	2,272,279	2,211,904
Golf	-	-	62,811	83,965	62,811	83,965
Total expenses	<u>71,197,946</u>	<u>70,234,901</u>	<u>2,335,090</u>	<u>2,295,869</u>	<u>73,533,036</u>	<u>72,530,770</u>
Increase in net position	5,812,177	5,068,202	2,313,391	2,257,468	8,125,568	7,325,670
Transfers	<u>60,000</u>	<u>60,000</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>5,872,177</u>	<u>5,128,202</u>	<u>2,253,391</u>	<u>2,197,468</u>	<u>8,125,568</u>	<u>7,325,670</u>
Net position - beginning of year	34,482,450	43,457,430	15,989,933	13,896,227	50,472,383	57,353,657
Restatement (a)	<u>-</u>	<u>(14,103,182)</u>	<u>-</u>	<u>(103,762)</u>	<u>-</u>	<u>(14,206,944)</u>
Net position - end of year	<u>\$ 40,354,627</u>	<u>\$ 34,482,450</u>	<u>\$ 18,243,324</u>	<u>\$ 15,989,933</u>	<u>\$ 58,597,951</u>	<u>\$ 50,472,383</u>

(a) Restated for the adoption of GASB Statement No. 75. Refer to Note V to the financial statements.

Governmental Activities. Property taxes made up approximately 61% and 60% of total governmental activities revenues in fiscal years 2018 and 2017, respectively. The gross dollar increase in property taxes was consistent with proposition 2 ½ limitations plus new growth. Operating grants represented approximately 25% and 26% of total governmental activities revenues in fiscal years 2018 and 2017, respectively. No other revenues or dollar changes in revenue were significant individually between fiscal 2018 and 2017.

The Town's largest expense category is education, which the Town continues to devote substantial resources. Education expenses totaled approximately 77% and 75% of total fiscal year 2018 and 2017 governmental activities expenses, respectively, and in gross dollars increased by nearly \$1.7 million. Public works expenses decreased approximately \$1.6 million in 2018, which was due primarily to one-time noncapitalizable expenses incurred in 2017 that were absent in 2018. No other expense or dollar changes in expense were significant individually between fiscal 2018 and 2017.

Business-Type Activities. The Town reports the activities of its water and golf enterprise funds as business-type activities. In general, revenues and expenses in the water and golf enterprise funds were up slightly year-over-year. The net change in net position in business-type activities was consistent year-over-year.

The general obligation bonds used to finance the Town's purchase of the Pinecrest Golf Club are set to mature in May 2021.

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 over \$23.1 million, which was nearly \$2.7 million higher than the prior year. This increase was due primarily to an increase in the fund balances of the general fund, capital reserve fund and nonmajor funds of approximately \$1.3 million, \$1.0 million and \$0.8 million, respectively. Of the ending fund balance, almost \$6.0 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

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 \$7.1 million, while total fund balance was nearly \$11.8 million. In fiscal year 2018, the fund balance in the general fund increased approximately \$1.3 million as revenues received exceeded forecasts due to the continued expansion in the economy and expenditures were under budget due to continued budget controls. 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 nearly 11% of total fiscal year 2018 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, approximates \$2.1 million at June 30, 2018, which is a decrease of approximately \$368,000 from the prior year.

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 \$972,000 in fiscal year 2018 to approximately \$2.6 million at June 30, 2018. The Town maintains certain financial policies whereby it set goals on specific funding levels for, among other areas, its capital reserve fund. Accordingly, the increase in its fund balance is due primarily to the Town committing funds to meet these goals.

The remainder of the governmental funds are either (1) nonspendable consisting of the corpus of an endowment of almost \$22,000; (2) restricted due to constraints placed externally by third-parties in the amount of over \$6.7 million; or (3) 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 water and golf enterprise funds were approximately \$18.2 million in the aggregate. The water enterprise's net position increased nearly \$2.2 million in fiscal year 2018 while the golf enterprise's net position increased approximately \$99,000. The increase in the water fund's net position is due primarily to the effects of an infrastructure fee that began in fiscal year 2016 and generates an additional approximate \$2.3 million annually for the water enterprise; the proceeds of this assessment are intended to be used for water main replacements and other service upgrades.

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 \$2.5 million in 2018. This increase was due primarily to budgeted contributions of \$1.5 million in fiscal year 2018 by the Town together with strong investment performance; the OPEB Trust portfolio returned over 9.6%, net of investment management fees, in fiscal year 2018. 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

A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2018, the Town's investment in capital assets for its governmental and business-type activities approximated \$70.0 million and \$17.7 million, respectively. Governmental net capital assets increased over \$885,000 in fiscal year 2018 while business-type net capital assets decreased approximately \$52,000.

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

Long-term Debt. At the end of the current fiscal year, the Town had total long-term general obligation debt outstanding (net of unamortized bond premiums) of approximately \$22.4 million, which represents a decrease of approximately \$5.4 million from the prior year and was entirely due to scheduled repayments and maturities on general obligation bonds and other long-term debt.

As of June 30, 2018, the Town expects to receive reimbursements from the Massachusetts School Business Authority for the repayment of long-term debt principal of approximately \$5.8 million and future interest in the amount of approximately \$0.5 million. These reimbursements are expected to be received in regular installments through fiscal year 2026.

In January 2016, Standard & Poor's Ratings Services ("S&P") assigned an "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.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$119.9 million, which is significantly in excess of the Town's outstanding general obligation debt. The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The median household income and home values within the Town significantly exceed the state-wide and national averages. Furthermore, the Town's unemployment rates are significantly better than both the state-wide and national averages.
- The Town expects to receive approximately \$9.5 million in state aid in fiscal year 2018, net of state and county assessments, which is approximately \$91,000 less than the previous fiscal year estimate.
- The Town has approximately \$0.9 million in excess levy capacity at June 30, 2018.
- In October 2018, the Massachusetts Department of Revenue certified the Town's free cash at \$3,022,000, which the Town can appropriate for any legal municipal purpose at Town Meeting.

These factors were considered in preparing the Town's budget for the 2019 fiscal year, which was adopted at Town Meeting in May 2018. The Town set its fiscal 2019 tax rate on December 3, 2018.

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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,239,239	\$ 6,095,466	\$ 26,334,705
Investments	4,063,301	-	4,063,301
Receivables, net of allowance for uncollectible accounts:			
Property taxes	2,161,137	-	2,161,137
User charges, fees and other	174,991	1,443,995	1,618,986
Motor vehicle excise taxes	190,398	-	190,398
Intergovernmental	6,616,981	-	6,616,981
Prepaid items	2,519,336	-	2,519,336
Other current assets	2,870	-	2,870
Land	6,635,543	1,000,000	7,635,543
Construction in-progress	-	15,500	15,500
Depreciable capital assets, net of accumulated depreciation	63,386,156	16,624,587	80,010,743
Total Assets	105,989,952	25,179,548	131,169,500
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits	2,884,830	36,221	2,921,051
Pensions	2,784,412	126,630	2,911,042
Total Deferred Outflows of Resources	5,669,242	162,851	5,832,093
LIABILITIES			
Current liabilities:			
Warrants and accounts payable	4,497,095	47,956	4,545,051
Retainage payable	55,221	-	55,221
Other liabilities	279,041	3,492	282,533
Interest expense payable	136,950	34,293	171,243
Noncurrent liabilities:			
Due in one year or less	4,864,719	695,869	5,560,588
Due in more than one year	59,374,982	6,231,959	65,606,941
Total Liabilities	69,208,008	7,013,569	76,221,577
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefits	298,935	3,753	302,688
Pensions	1,797,624	81,753	1,879,377
Total Deferred Inflows of Resources	2,096,559	85,506	2,182,065
NET POSITION			
Net investment in capital assets	58,965,606	12,052,265	71,017,871
Restricted for:			
Nonexpendable perpetual funds	21,524	-	21,524
Expendable perpetual funds	416,062	-	416,062
Community preservation	2,037,688	-	2,037,688
Capital reserves	2,601,835	-	2,601,835
Other purposes	6,415,245	-	6,415,245
Unrestricted	(30,103,333)	6,191,059	(23,912,274)
Total Net Position	\$ 40,354,627	\$ 18,243,324	\$ 58,597,951

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

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
<u>Governmental Activities:</u>							
General government	\$ 3,961,437	\$ 415,246	\$ 505,413	\$ -	\$ (3,040,778)		\$ (3,040,778)
Public safety	6,647,095	901,798	70,000	-	(5,675,297)		(5,675,297)
Education	54,664,505	3,656,162	18,177,984	-	(32,830,359)		(32,830,359)
Public works	2,741,829	86,294	-	725,394	(1,930,141)		(1,930,141)
Health and human services	1,023,365	154,399	130,290	-	(738,676)		(738,676)
Culture and recreation	1,507,922	444,035	95,770	-	(968,117)		(968,117)
Interest expense	651,793	-	263,357	-	(388,436)		(388,436)
Total Governmental Activities	71,197,946	5,657,934	19,242,814	725,394	(45,571,804)		(45,571,804)
<u>Business-Type Activities:</u>							
Water	2,272,279	4,426,385	-	-	-	\$ 2,154,106	2,154,106
Golf	62,811	222,096	-	-	-	159,285	159,285
Total Primary Government	\$ 73,533,036	\$ 10,306,415	\$ 19,242,814	\$ 725,394	(45,571,804)	2,313,391	(43,258,413)
<u>General Revenues:</u>							
					47,009,049	-	47,009,049
					2,434,359	-	2,434,359
					230,310	-	230,310
					1,577,529	-	1,577,529
					132,734	-	132,734
Transfers (net)					60,000	(60,000)	-
Total general revenues and transfers					51,443,981	(60,000)	51,383,981
Change in Net Position					5,872,177	2,253,391	8,125,568
<u>Net Position:</u>							
					34,482,450	15,989,933	50,472,383
					\$ 40,354,627	\$ 18,243,324	\$ 58,597,951

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Community Preservation	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 10,216,853	\$ 1,234,156	\$ 2,601,835	\$ 6,186,395	\$ 20,239,239
Investments	3,238,636	809,659	-	15,006	4,063,301
Receivables, net of allowance for uncollectible accounts:					
Property taxes	2,147,558	13,579	-	-	2,161,137
Motor vehicle excise taxes and other	202,726	-	-	162,663	365,389
Due from other governments	5,768,311	-	-	848,670	6,616,981
Prepaid items	2,519,336	-	-	-	2,519,336
Other assets	2,870	-	-	-	2,870
Total Assets	24,096,290	2,057,394	2,601,835	7,212,734	35,968,253
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 24,096,290	\$ 2,057,394	\$ 2,601,835	\$ 7,212,734	\$ 35,968,253
Liabilities					
Warrants and accounts payable	\$ 4,177,029	\$ -	\$ -	\$ 320,066	\$ 4,497,095
Retainage payable	-	-	-	55,221	55,221
Other liabilities	10,678	-	-	-	10,678
Total Liabilities	4,187,707	-	-	375,287	4,562,994
Deferred Inflows of Resources					
Unearned revenue - prepaid taxes	262,236	6,127	-	-	268,363
Unavailable revenue - property taxes	1,854,183	13,579	-	-	1,867,762
Unavailable revenue - motor vehicle excise and other	202,726	-	-	162,663	365,389
Unavailable revenue - intergovernmental	5,768,311	-	-	-	5,768,311
Total Deferred Inflows of Resources	8,087,456	19,706	-	162,663	8,269,825
Fund Balances					
Nonspendable	2,522,206	-	-	21,524	2,543,730
Restricted	108,565	2,037,688	-	6,722,742	8,868,995
Committed	682,612	-	2,601,835	-	3,284,447
Assigned	1,383,637	-	-	-	1,383,637
Unassigned	7,124,107	-	-	(69,482)	7,054,625
Total Fund Balances	11,821,127	2,037,688	2,601,835	6,674,784	23,135,434
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,096,290	\$ 2,057,394	\$ 2,601,835	\$ 7,212,734	\$ 35,968,253

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances		\$ 23,135,434
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		70,021,699
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds		8,001,462
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	2,884,830	
Deferred outflows of resources - pensions	2,784,412	
Deferred inflows of resources - other postemployment benefits	(298,935)	
Deferred inflows of resources - pensions	<u>(1,797,624)</u>	
Net effect of reporting deferred outflows and inflows of resources		3,572,683
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(136,950)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the governmental funds:		
Net OPEB liability	(24,375,846)	
Net pension liability	(22,739,805)	
Compensated absences	(308,856)	
Bonds and notes payable	<u>(16,815,194)</u>	
Net effect of reporting long-term liabilities		<u>(64,239,701)</u>
Net Position of Governmental Activities		<u>\$ 40,354,627</u>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General	Community Preservation	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Real estate and personal property taxes	\$ 46,525,226	\$ 534,877	\$ -	\$ -	\$ 47,060,103
Intergovernmental	18,942,129	87,319	-	3,793,460	22,822,908
Motor vehicle and other excises	2,366,673	-	-	-	2,366,673
Licenses and permits	419,874	-	-	-	419,874
Departmental and other revenue	842,760	-	61,908	4,367,689	5,272,357
Penalties and interest on taxes	230,310	-	-	-	230,310
Fines and fees	51,897	-	-	-	51,897
Investment income	107,802	12,163	10,819	1,950	132,734
Contributions and donations	-	-	-	243,488	243,488
Other income	-	-	-	38,103	38,103
Total Revenues	<u>69,486,671</u>	<u>634,359</u>	<u>72,727</u>	<u>8,444,690</u>	<u>78,638,447</u>
Expenditures					
Current:					
General government	2,255,806	773,291	-	244,535	3,273,632
Public safety	4,184,359	-	-	167,464	4,351,823
Education	33,614,896	-	-	6,217,787	39,832,683
Public works	2,893,621	-	-	1,596,772	4,490,393
Health and human services	492,879	-	-	241,270	734,149
Culture and recreation	669,002	-	-	603,865	1,272,867
Fringe benefits	6,844,244	-	-	-	6,844,244
Pensions	9,391,585	-	-	-	9,391,585
Debt service:					
Principal maturities	4,465,000	-	-	-	4,465,000
Interest	902,394	-	-	-	902,394
State and county tax assessments	<u>447,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,652</u>
Total Expenditures	<u>66,161,438</u>	<u>773,291</u>	<u>-</u>	<u>9,071,693</u>	<u>76,006,422</u>
Excess of Revenues over Expenditures	<u>3,325,233</u>	<u>(138,932)</u>	<u>72,727</u>	<u>(627,003)</u>	<u>2,632,025</u>
Other Financing Sources					
Transfers in	1,108,710	21,016	1,754,437	1,650,000	4,534,163
Transfers out	<u>(3,175,453)</u>	<u>(250,000)</u>	<u>(855,330)</u>	<u>(193,380)</u>	<u>(4,474,163)</u>
Total Other Financing Sources, Net	<u>(2,066,743)</u>	<u>(228,984)</u>	<u>899,107</u>	<u>1,456,620</u>	<u>60,000</u>
Change in Fund Balances	<u>1,258,490</u>	<u>(367,916)</u>	<u>971,834</u>	<u>829,617</u>	<u>2,692,025</u>
Fund Balances - Beginning of year	<u>10,562,637</u>	<u>2,405,604</u>	<u>1,630,001</u>	<u>5,845,167</u>	<u>20,443,409</u>
Fund Balances - End of year	<u>\$ 11,821,127</u>	<u>\$ 2,037,688</u>	<u>\$ 2,601,835</u>	<u>\$ 6,674,784</u>	<u>\$ 23,135,434</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, 2018**

Net Change in Fund Balances - Total Governmental Fund Balances \$ 2,692,025

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. The following represents capital asset activity during 2018:

Capital outlays	3,979,095	
Depreciation	<u>(3,093,851)</u>	
Net effect of reporting capital asset activity		885,244

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net assets. Also, 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. In 2018, the following activity was recorded:

Amortization of bond premiums	214,662	
Debt maturities	<u>4,465,000</u>	
Net effect of reporting long-term debt activity		4,679,662

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(15,830)	
Accrued interest	35,939	
Other postemployment benefits	105,876	
Pension benefits	<u>(482,415)</u>	
Net effect of reporting long-term liabilities activity		(356,430)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference based on the two methodologies.

(2,028,324)

Change in Net Position of Governmental Activities \$ 5,872,177

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities Enterprise Funds		
	Water	Golf	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,966,385	\$ 129,081	\$ 6,095,466
User charges receivable	1,443,995	-	1,443,995
Total Current Assets	7,410,380	129,081	7,539,461
Noncurrent assets:			
Land	-	1,000,000	1,000,000
Construction in-progress	15,500	-	15,500
Capital assets, net of accumulated depreciation	15,372,538	1,252,049	16,624,587
Total Assets	22,798,418	2,381,130	25,179,548
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits	36,221	-	36,221
Pensions	126,630	-	126,630
Total Deferred Outflows of Resources	162,851	-	162,851
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	47,956	-	47,956
Interest expense payable	34,293	-	34,293
Deposits	-	3,492	3,492
Current portion of long-term debt	605,869	90,000	695,869
Total Current Liabilities	688,118	93,492	781,610
Noncurrent liabilities:			
Long-term debt	4,751,753	140,200	4,891,953
Net OPEB liability	305,838	-	305,838
Net pension liability	1,034,168	-	1,034,168
Total Noncurrent Liabilities	6,091,759	140,200	6,231,959
Total Liabilities	6,779,877	233,692	7,013,569
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefits	3,753	-	3,753
Pensions	81,753	-	81,753
Total Deferred Inflows of Resources	85,506	-	85,506
NET POSITION			
Net investment in capital assets	10,030,416	2,021,849	12,052,265
Unrestricted	6,065,470	125,589	6,191,059
Total Net Position	\$ 16,095,886	\$ 2,147,438	\$ 18,243,324

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Funds		
	Water	Golf	Total
OPERATING REVENUES			
Charges for services	\$ 4,364,477	\$ -	\$ 4,364,477
Other revenues	61,908	222,096	284,004
Total Operating Revenues	4,426,385	222,096	4,648,481
OPERATING EXPENSES			
Operating costs	1,529,084	5,616	1,534,700
Depreciation expense	613,488	50,716	664,204
Total Operating Expenses	2,142,572	56,332	2,198,904
Operating Income	2,283,813	165,764	2,449,577
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(129,707)	(6,479)	(136,186)
Transfers out, net	-	(60,000)	(60,000)
Total Nonoperating Revenues (Expenses), Net	(129,707)	(66,479)	(196,186)
Change in Net Position	2,154,106	99,285	2,253,391
Net Position - Beginning of year (as restated; refer to Note V)	13,941,780	2,048,153	15,989,933
Net Position - End of year	\$ 16,095,886	\$ 2,147,438	\$ 18,243,324

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities		
	Water	Golf	Total
Cash Flows from Operating Activities:			
Receipts from users	\$ 4,378,816	\$ 222,096	\$ 4,600,912
Payments to employees and related personnel costs	(785,937)	-	(785,937)
Payments to vendors	(713,583)	(5,616)	(719,199)
Net Cash Provided by Operating Activities	<u>2,879,296</u>	<u>216,480</u>	<u>3,095,776</u>
Cash Flows from Noncapital Financing Activities:			
Transfers out	-	(60,000)	(60,000)
Net Cash Used for Noncapital Related Financing Activities	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of property and equipment	(536,926)	(75,058)	(611,984)
Principal payments on bonds payable	(611,155)	(90,000)	(701,155)
Interest expense	(131,802)	(6,479)	(138,281)
Net Cash Used for Capital and Related Financing Activities	<u>(1,279,883)</u>	<u>(171,537)</u>	<u>(1,451,420)</u>
Change in Cash and Cash Equivalents	1,599,413	(15,057)	1,584,356
Cash and Cash Equivalents - Beginning of year	<u>4,366,972</u>	<u>144,138</u>	<u>4,511,110</u>
Cash and Cash Equivalents - End of year	<u>\$ 5,966,385</u>	<u>\$ 129,081</u>	<u>\$ 6,095,466</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating income	\$ 2,283,813	\$ 165,764	\$ 2,449,577
Depreciation expense	613,488	50,716	664,204
Changes in assets and liabilities:			
Receivables	(47,569)	-	(47,569)
Accounts payable and accrued expenses	<u>29,564</u>	<u>-</u>	<u>29,564</u>
Net Cash Provided by Operating Activities	<u>\$ 2,879,296</u>	<u>\$ 216,480</u>	<u>\$ 3,095,776</u>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	<u>OPEB Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 554,530
Investments	11,475,444	-
Details receivable	-	52,974
Total Assets	<u>11,475,444</u>	<u>607,504</u>
LIABILITIES		
Warrants payable	-	8,598
Held on behalf of students	-	261,251
Performance deposits	-	232,239
Other agency liabilities	-	105,416
Total Liabilities	<u>-</u>	<u>607,504</u>
NET POSITON		
Restricted for other postemployment benefits	<u>11,475,444</u>	<u>-</u>
Net Position	<u>\$ 11,475,444</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

TOWN OF HOLLISTON, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	<u>OPEB Trust</u>
ADDITIONS	
Employer contributions	\$ 3,040,182
Investment income:	
Interest and dividends	300,756
Net realized gain on sale of investments	588,075
Net unrealized loss in fair value of investments	145,090
Less: investment management fees	<u>(60,524)</u>
Net investment income	<u>973,397</u>
Total Additions	<u>4,013,579</u>
DEDUCTIONS	
Benefits paid	<u>1,540,182</u>
Change in Fiduciary Net Position	2,473,397
Fiduciary Net Position - Beginning of year	<u>9,002,047</u>
Fiduciary Net Position - End of year	<u>\$ 11,475,444</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, 2018

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, which is approximately twenty-five miles southwest of Boston, is located in Middlesex County. 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 Board of Selectmen and an appointed Town Administrator, who performs and oversees the Town’s daily executive and administrative duties. Selectmen 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 water and golf services 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 and its component units. 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 ten percent 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 five percent 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 a liability is 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 properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of 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 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 *non-operating* 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 non-operating revenues and expenses.

The Town reports two major proprietary funds – water and golf.

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 Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for private public safety details, developer deposits and student activities. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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. Investments are recorded at fair value in accordance with GAAP.

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. The Town is permitted to take delinquent tax accounts into tax titles fourteen days subsequent to the mailing of demand of delinquent taxes.

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, which are comprised of those outstanding amounts greater than five years old, if material.

The Town has entered into loan agreements since 2001 with the Massachusetts Clean Water Trust (“MCWT”). The Town expects to be subsidized by MCWT in future years on a periodic basis for principal and interest costs relative to governmental-type activities until maturity of these agreements. The Town is legally obligated for the total amount of the debt, so such amounts have been recorded in the accompanying basic financial statements under the applicable governmental and business-type activities. In addition, a receivable has also been reflected for the principal amount of the subsidies.

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 within other current assets in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water mains and similar items), 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 in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of 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.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts, in addition to issuance costs, if material, are amortized over the life of the bonds using the effective interest method. 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 exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town insures for workers' compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

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. 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.

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.

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 expenses) 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, Board of Selectmen 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.

The following table reflects the Town's fund equity categorizations:

	General	Community Preservation	Capital Reserve	Nonmajor Governmental Funds	Total
Nonspendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 21,524	\$ 21,524
Prepaid items and inventory	2,522,206	-	-	-	2,522,206
Restricted:					
General government	-	2,037,688	-	326,452	2,364,140
Public safety	-	-	-	613,490	613,490
Education	-	-	-	4,536,842	4,536,842
Public works	-	-	-	36,822	36,822
Health and human services	-	-	-	72,453	72,453
Culture and recreation	-	-	-	548,862	548,862
Debt service	108,565	-	-	-	108,565
Capital projects	-	-	-	171,759	171,759
Expendable trust funds	-	-	-	416,062	416,062
Committed:					
General government	-	-	2,601,835	-	2,601,835
Public safety	552,442	-	-	-	552,442
Other purposes	130,170	-	-	-	130,170
Assigned:					
Education	992,725	-	-	-	992,725
Public works	313,407	-	-	-	313,407
Other purposes	77,505	-	-	-	77,505
Unassigned:					
Unrestricted	2,031,875	-	-	(69,482)	1,962,393
Stabilization fund	5,092,232	-	-	-	5,092,232
	<u>\$ 11,821,127</u>	<u>\$ 2,037,688</u>	<u>\$ 2,601,835</u>	<u>\$ 6,674,784</u>	<u>\$ 23,135,434</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 \$682,612 of encumbrances from Town Meeting in the general fund as committed and \$1,383,637 of encumbrances from normal purchasing activity as assigned at June 30, 2018. There are no encumbrances reported in other funds.

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, 2018, 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.

Fair Value of Investments – 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.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2018:

Investments by Fair Value Level	June 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 520,378	\$ 520,378	\$ -	\$ -
U.S. Government agency obligations	2,280,547	-	2,280,547	-
Corporate bonds	605,130	-	605,130	-
Total debt securities	3,406,055	520,378	2,885,677	-
Equity securities	413,293	413,293	-	-
Mutual funds	243,953	-	243,953	-
Total investments by fair value level	4,063,301	\$ 933,671	\$ 3,129,630	\$ -
Investments measured at NAV:				
State Retirees Benefit Trust Fund	11,475,444			
Total investments at fair value	\$ 15,538,745			

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.

At June 30, 2018, the Town had the following investments:

		Maturity in Years		
	Fair Value	Less than Year	1 to 5 Years	6 to 10 Years
Investments				
<u>Debt securities:</u>				
U.S. Government obligations	\$ 2,800,925	\$ 521,855	\$ 2,279,070	\$ -
Corporate fixed income	605,130	153,385	451,745	-
Total investments with maturities	3,406,055	\$ 675,240	\$ 2,730,815	\$ -
<u>Other investments:</u>				
State Retirees Benefits Trust Fund	11,475,444			
Equities	413,293			
Mutual funds	243,953			
Total Investments	\$ 15,538,745			

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

Credit Risk – Statutes require the Town Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the 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 U.S. obligation. During the fiscal year, the Town did not enter any repurchase agreements.

Of the Town’s investments in corporate fixed income, \$253,902 was rated by Moody’s Investors Service (“Moody’s”) as A3 and \$351,228 was rated Baa1. All of the Town’s government securities were rated Aaa by Moody’s.

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, 2018, all of the Town’s bank deposits were fully insured by the federal depository insurance or other depositors’ insurance or third-party collateralization.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. At June 30, 2018, the Town’s investments in the SRBT are exposed to custodial credit risk because the underlying investment securities are uninsured, unregistered and held by the counterparty.

Interest Rate Risk – 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.

Concentration of Credit Risk – The Town’s investment in SRBT represents approximately 74% of the Town’s total investments at June 30, 2018. No other individual investment exceeded 5% of the Town’s total investments.

B. Receivables

At June 30, 2018, receivables for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 738,639	\$ -	\$ 738,639
Tax liens and foreclosures	1,422,498	-	1,422,498
Motor vehicle excise taxes	190,398	-	190,398
Ambulance	322,663	(160,000)	162,663
Departmental	12,328	-	12,328
Intergovernmental:			
Due from the MSBA	5,759,101	-	5,759,101
Due from the MCWT	9,210	-	9,210
Due from the Commonwealth - other	848,670	-	848,670
Total	<u>\$ 9,303,507</u>	<u>\$ (160,000)</u>	<u>\$ 9,143,507</u>

Receivables reported in the government-wide financial statements for business-type activities as of June 30, 2018 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, 2018 in the governmental funds:

	General Fund	Community Preservation	Nonmajor Funds	Total
Property taxes	\$ 431,685	\$ 13,579	\$ -	\$ 445,264
Tax liens and foreclosures	1,422,498	-	-	1,422,498
Motor vehicle excise taxes	190,398	-	-	190,398
Ambulance	-	-	162,663	162,663
Departmental	12,328	-	-	12,328
Intergovernmental:				
Due from the MSBA	5,759,101	-	-	5,759,101
Due from the MCWT	9,210	-	-	9,210
Total	<u>\$ 7,825,220</u>	<u>\$ 13,579</u>	<u>\$ 162,663</u>	<u>\$ 8,001,462</u>

Massachusetts School Building Authority Assistance Reimbursement – As of June 30, 2018, the Town expects to receive approximately \$6,286,000 from the Commonwealth of Massachusetts in the form of principal and interest subsidies for approved school construction costs. Such costs will be reimbursed to the Town in equal annual installments over the balance of the life of the related bonds and are subject to approval by the State Legislature. 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, 2018 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
Capital assets being depreciated:				
Buildings and improvements	83,391,911	278,571	-	83,670,482
Infrastructure	10,864,358	2,797,481	-	13,661,839
Machinery and equipment	6,192,113	670,796	(128,663)	6,734,246
Vehicles	2,948,168	232,247	-	3,180,415
Total capital assets being depreciated	103,396,550	3,979,095	(128,663)	107,246,982
Less accumulated depreciation for:				
Buildings and improvements	(32,964,355)	(2,101,499)	-	(35,065,854)
Infrastructure	(1,762,042)	(279,290)	-	(2,041,332)
Machinery and equipment	(4,065,432)	(458,985)	128,663	(4,395,754)
Vehicles	(2,103,809)	(254,077)	-	(2,357,886)
Total accumulated depreciation	(40,895,638)	(3,093,851)	128,663	(43,860,826)
Total capital assets being depreciated, net	62,500,912	885,244	-	63,386,156
Governmental activities capital assets, net	\$ 69,136,455	\$ 885,244	\$ -	\$ 70,021,699

For the fiscal year ended June 30, 2018, depreciation expense was charged to functions/programs as follows:

General government	\$ 100,174
Public safety	570,838
Education	1,856,859
Public works	445,769
Health and human services	23,152
Culture and recreation	97,059
	<u>\$ 3,093,851</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-process	-	15,500	-	15,500
Total capital assets not being depreciated	1,000,000	15,500	-	1,015,500
Capital assets being depreciated:				
Buildings and improvements	16,719,242	75,058	-	16,794,300
Infrastructure	6,327,480	504,476	-	6,831,956
Machinery and equipment	975,951	16,950	-	992,901
Vehicles	335,482	-	-	335,482
Total capital assets being depreciated	24,358,155	596,484	-	24,954,639
Less accumulated depreciation for:				
Buildings and improvements	(6,477,278)	(419,857)	-	(6,897,135)
Infrastructure	(544,504)	(153,682)	-	(698,186)
Machinery and equipment	(500,376)	(51,679)	-	(552,055)
Vehicles	(143,690)	(38,986)	-	(182,676)
Total accumulated depreciation	(7,665,848)	(664,204)	-	(8,330,052)
Total capital assets being depreciated, net	16,692,307	(67,720)	-	16,624,587
Governmental activities capital assets, net	\$ 17,692,307	\$ (52,220)	\$ -	\$ 17,640,087
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Water</u>				
Capital assets not being depreciated:				
Land				
Construction in-progress	\$ -	\$ 15,500	\$ -	\$ 15,500
Capital assets being depreciated:				
Buildings and improvements	\$ 14,765,632	\$ -	\$ -	\$ 14,765,632
Infrastructure	6,327,480	504,476	-	6,831,956
Machinery and equipment	975,951	16,950	-	992,901
Vehicles	335,482	-	-	335,482
Total capital assets being depreciated	22,404,545	521,426	-	22,925,971
Less accumulated depreciation for:				
Buildings and improvements	(5,751,375)	(369,141)	-	(6,120,516)
Infrastructure	(544,504)	(153,682)	-	(698,186)
Machinery and equipment	(500,376)	(51,679)	-	(552,055)
Vehicles	(143,690)	(38,986)	-	(182,676)
Total accumulated depreciation	(6,939,945)	(613,488)	-	(7,553,433)
Total capital assets being depreciated, net	15,464,600	(92,062)	-	15,372,538
Total Net Business-type Activities: Water	\$ 15,464,600	\$ (76,562)	\$ -	\$ 15,388,038

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Golf</u>				
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in-progress				
Total capital assets not being depreciated	1,000,000	-	-	1,000,000
Capital assets being depreciated:				
Buildings and improvements	1,953,610	75,058	-	2,028,668
Total capital assets being depreciated	1,953,610	75,058	-	2,028,668
Less accumulated depreciation for:				
Buildings and improvements	(725,903)	(50,716)	-	(776,619)
Total accumulated depreciation	(725,903)	(50,716)	-	(776,619)
Total capital assets being depreciated, net	1,227,707	24,342	-	1,252,049
Total Net Business-type Activities: Golf	<u>\$ 2,227,707</u>	<u>\$ 24,342</u>	<u>\$ -</u>	<u>\$ 2,252,049</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018 were as follows:

Transfers Out	Transfers In					Total	
	General Fund	Community Preservation Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Golf Enterprise Fund		
General Fund	\$ -	\$ 21,016	\$ 1,754,437	\$ 1,400,000	\$ -	\$ 3,175,453	(1)
Community Preservation Fund	-	-	-	250,000	-	250,000	(2)
Capital Reserve Fund	855,330	-	-	-	-	855,330	(3)
Nonmajor Governmental Funds	193,380	-	-	-	-	193,380	(4)
Golf Enterprise Fund	60,000	-	-	-	-	60,000	(5)
	<u>\$ 1,108,710</u>	<u>\$ 21,016</u>	<u>\$ 1,754,437</u>	<u>\$ 1,650,000</u>	<u>\$ -</u>	<u>\$ 4,534,163</u>	

- (1) Budgeted transfers were made from the general fund to the capital reserve fund (\$1,608,203) and capital projects fund (\$1,400,000). Additionally, the Town closed articles totaling \$167,250 and transferred these excess funds to the community preservation fund and the capital reserve fund.
- (2) Transfer to general fund and housing trust fund for affordable housing purposes.
- (3) Transfer from capital reserve fund to the general fund for articles.
- (4) Transfer of marijuana-related proceeds from a revolving fund to the general fund.
- (5) Transfer of operating costs from the golf enterprise to the general fund.

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. In fiscal year 2018, the Town repaid a \$1,000,000 BAN that had a stated interest rate of 1.24%. There was no other temporary debt activity in fiscal year 2018.

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 associated personnel costs.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.”

The following reflects the changes in long-term liability balances for the year ended June 30, 2018:

Description of Issue	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 21,104,800	\$ -	\$ (4,465,000)	\$ 16,639,800	\$ 4,610,000
Unamortized bond premium	390,056	-	(214,662)	175,394	131,177
Compensated absences	293,026	15,830	-	308,856	123,542
Net OPEB liability (a)	21,895,827	5,784,507	(3,304,488)	24,375,846	-
Net pension liability	23,136,180	6,309,346	(6,705,721)	22,739,805	-
Total Governmental Activities	<u>\$ 66,819,889</u>	<u>\$ 12,109,683</u>	<u>\$(14,689,871)</u>	<u>\$ 64,239,701</u>	<u>\$ 4,864,719</u>
<i>Business-Type Activities:</i>					
Water					
General obligation bonds and notes payable	\$ 5,795,547	\$ -	\$ (565,571)	\$ 5,229,976	\$ 567,865
Unamortized bond premium	173,230	-	(45,584)	127,646	38,004
Net OPEB liability (a)	274,765	69,486	(38,413)	305,838	-
Net pension liability	1,052,194	286,938	(304,964)	1,034,168	-
	<u>7,295,736</u>	<u>356,424</u>	<u>(954,532)</u>	<u>6,697,628</u>	<u>605,869</u>
Golf					
General obligation bonds and notes payable	320,200	-	(90,000)	230,200	90,000
Total Business-Type Activities	<u>\$ 7,615,936</u>	<u>\$ 356,424</u>	<u>\$ (1,044,532)</u>	<u>\$ 6,927,828</u>	<u>\$ 695,869</u>
Total Long-term Obligations	<u>\$ 74,435,825</u>	<u>\$ 12,466,107</u>	<u>\$(15,734,403)</u>	<u>\$ 71,167,529</u>	<u>\$ 5,560,588</u>

(a) The beginning balance was restated for the adoption of GASB Statement No. 75.

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.

The following is a summary of outstanding long-term debt obligations outstanding at June 30, 2018:

Description	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00 - 5.00%	\$ 21,059,800	\$ -	\$ (4,450,000)	\$ 16,609,800
MCWT Note	various	45,000	-	(15,000)	30,000
Total Governmental Activities		21,104,800	-	(4,465,000)	16,639,800
Add: Unamortized bond premium		390,056	-	(214,662)	175,394
Total Governmental Activities, net		<u>\$ 21,494,856</u>	<u>\$ -</u>	<u>\$ (4,679,662)</u>	<u>\$ 16,815,194</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	3.25 - 5.0%	\$ 3,500,000	\$ -	\$ (460,000)	\$ 3,040,000
MCWT Note	2.00%	2,295,547	-	(105,571)	2,189,976
Total Water		5,795,547	-	(565,571)	5,229,976
Add: Unamortized bond premium		173,230	-	(45,584)	127,646
Total Water, net		<u>5,968,777</u>	<u>-</u>	<u>(611,155)</u>	<u>5,357,622</u>
<i>Business-Type Activities - Golf:</i>					
General obligation bond	3.50 - 5.00%	320,200	-	(90,000)	230,200
Total Business-Type Activities, net		<u>\$ 6,288,977</u>	<u>\$ -</u>	<u>\$ (701,155)</u>	<u>\$ 5,587,822</u>
Total Bond and Note Debt		<u>\$ 27,783,833</u>	<u>\$ -</u>	<u>\$ (5,380,817)</u>	<u>\$ 22,403,016</u>

Future Debt Payoff – Payments on general long-term debt obligation bonds due in future years consist of the following:

Year Ending June 30,	Principal	Interest	Total
<i>Governmental Activities</i>			
2019	\$ 4,610,000	\$ 684,481	\$ 5,294,481
2020	4,740,000	464,575	5,204,575
2021	2,699,800	301,038	3,000,838
2022	2,245,000	195,263	2,440,263
2023	575,000	92,455	667,455
2024 - 2028	1,565,000	225,100	1,790,100
2029	205,000	8,713	213,713
Total	<u>\$ 16,639,800</u>	<u>\$ 1,971,625</u>	<u>\$ 18,611,425</u>

Year Ending June 30,	Principal	Interest	Total
<i>Business-Type Activities: Combined</i>			
2019	\$ 657,865	\$ 156,954	\$ 814,819
2020	665,210	129,871	795,081
2021	627,805	102,617	730,422
2022	585,052	75,911	660,963
2023	422,553	55,435	477,988
2024 - 2028	1,502,216	164,070	1,666,286
2029 - 2033	698,402	72,612	771,014
2034 - 2035	301,073	9,065	310,138
Total	<u>\$ 5,460,176</u>	<u>\$ 766,535</u>	<u>\$ 6,226,711</u>
<i>Business-Type Activities: Water</i>			
2019	\$ 567,865	\$ 152,275	\$ 720,140
2020	575,210	126,992	702,202
2021	577,605	101,538	679,143
2022	585,052	75,911	660,963
2023	422,553	55,435	477,988
2024 - 2028	1,502,216	164,070	1,666,286
2029 - 2033	698,402	72,612	771,014
2034 - 2035	301,073	9,065	310,138
Total	<u>\$ 5,229,976</u>	<u>\$ 757,898</u>	<u>\$ 5,987,874</u>
<i>Business-Type Activities: Golf</i>			
2019	90,000	4,679	\$ 94,679
2020	90,000	2,879	92,879
2021	50,200	1,079	51,279
Total	<u>\$ 230,200</u>	<u>\$ 8,637</u>	<u>\$ 238,837</u>

Authorized and Unissued Debt – At June 30, 2018, the Town has \$8,375,000 in authorized and unissued debt related to a water treatment plant.

G. Economic Dependence and Concentrations

During the year ended June 30, 2018, approximately 27% of revenues of the general fund were recognized from the Commonwealth of Massachusetts as well as the federal government.

The Town's tax title receivable totaled \$1,252,574 at June 30, 2018. A single tax payer represented \$294,300, or approximately 23%, of this total. 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. 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, 2017 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, 2017 was as follows:

Active members	9,283
Inactive members	3,110
Disabled members	434
Retirees and beneficiaries currently receiving benefits	<u>5,063</u>
	<u><u>17,890</u></u>

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

Massachusetts contributory retirement system benefits are uniform from retirement system to system. 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 – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$2,132,624 to the Retirement System in fiscal year 2018, which exceeded the actuarially-determined contribution requirement for the fiscal year by \$76,588. The Town's contributions as a percentage of covered payroll was approximately 21% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$23,773,972 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, 2017. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. A number of changes were made to actuarial assumptions in the most recent actuarial valuation; the most notable was a decrease in the discount rate to 7.50% from 7.75% per annum and changes to mortality tables.

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 1.68% at December 31, 2017 versus approximately 1.71% at December 31, 2016.

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, 2017, 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 \$2,636,979 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, 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	\$ 80,172	\$ 121,409
Changes of assumptions	2,272,508	-
Net difference between projected and actual earnings on pension plan investments	-	645,745
Changes in proportion and differences between Town contributions and proportionate share of contributions	558,362	1,112,233
	<u>\$ 2,911,042</u>	<u>\$ 1,879,387</u>

The deferred outflows of resources at June 30, 2018 are expected to be recognized in the Town's pension expense as follows:

Year ended June 30,

2018	\$ 508,637
2019	491,646
2020	104,296
2021	(72,914)
	<u>\$ 1,031,665</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Actuarial Cost Method	Entry age normal cost method.
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments
Remaining Amortization Method	As of July 1, 2018, 1 year remaining for 2002 ERI liability, 2 years remaining for 2003 ERI liability, 4 years remaining for 2010 ERI liability and 17 years remaining for unfunded liability

Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period; asset value is adjusted as necessary to be within 20% of the market value
Inflation Rate	3.25% (previously 3.50%)
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 \$14,000 of retirement income.
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation (previously 7.75%).
Rates of Retirement	Varied based upon age for general employees, police and fire employees.
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 January 1, 2018 (the date of the latest actuarial valuation) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Long-term Expected Asset Allocation</u>
Domestic equity	6.15%	17.50%
International equity	7.11%	15.50%
Emerging markets equity	9.41%	6.00%
Core fixed income	1.68%	12.00%
High-yield fixed income	4.13%	10.00%
Real estate	4.90%	10.00%
Commodities	4.71%	4.00%
Hedge funds, GTAA risk parity	3.94%	13.00%
Private equity	10.28%	12.00%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2018 actuarial valuation report was 7.50%, which was a reduction from the previous discount rate of 7.75%. 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 discount rate of 7.5% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Town’s proportionate share of the net pension liability	\$ 29,178,578	\$ 23,773,972	\$ 19,217,167

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 Massachusetts General Laws. 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 considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2018, the Commonwealth contributed \$3,899,314 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, 2018 was \$72,226,826. The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2018 was \$7,538,524. The Town recognized \$7,538,524 in intergovernmental revenue and pension expense relative to this arrangement.

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 health (see below) 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 Massachusetts General Law, or 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, 2018.

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 Massachusetts General Law Chapter 32B. 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, 2018:

Inactive employees or beneficiaries receiving benefits	366
Active employees	<u>599</u>
	<u>965</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 years 2018 and 2017. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2018, the Town's average contribution rate was approximately 9% of covered payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

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	2.75% per annum
Salary Increases	3.00% per annum
Healthcare Cost Trends	5.00% per annum
Investment Rate of Return	7.04%, net of investment expenses, including inflation
Single Equivalent Discount Rate	7.00%, net of investment expenses, including inflation
Pre-retirement Mortality	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009
Post-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table based generationally with scale BB and a base year 2009
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally for scale BB and a base year 2012

The components of the Town's net OPEB Liability at June 30, 2018 were as follows:

Total OPEB liability	\$ 36,157,159
Plan fiduciary net position	<u>(11,475,444)</u>
Net OPEB liability	<u>\$ 24,681,715</u>

Plan fiduciary net position as a percentage of the total OPEB liability	31.7%
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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%	4.00%
Domestic equities - small/mid cap	3.50%	6.00%
International equities - developed markets	16.00%	4.50%
International equities - emerging markets	6.00%	7.00%
Fixed income - domestic	20.00%	2.00%
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		4.79%
Inflation assumption		<u>2.75%</u>
Total nominal return		7.54%
Less investment expense		<u>-0.50%</u>
Net investment return		<u>7.04%</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, 2018:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2017	\$ 31,172,639	\$ 9,002,047	\$ 22,170,592
Changes for the year:			
Service cost	928,906	-	928,906
Interest	2,194,113	-	2,194,113
Changes in assumptions	3,488,245	-	3,488,245
Differences between actual and expected experience	(86,562)	-	(86,562)
Employer contributions	-	3,040,182	(3,040,182)
Net investment income	-	973,397	(973,397)
Benefit payments	<u>(1,540,182)</u>	<u>(1,540,182)</u>	<u>-</u>
Net changes	<u>4,984,520</u>	<u>2,473,397</u>	<u>2,511,123</u>
Balances at June 30, 2018	<u>\$ 36,157,159</u>	<u>\$ 11,475,444</u>	<u>\$ 24,681,715</u>

Assumed retirement rates for teachers were updated in the most recent actuarial valuation. This change in assumption resulted in an increase to total OPEB liability of nearly \$3.5 million in fiscal year 2018.

Sensitivity Analyses – 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 a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 29,338,333	\$ 24,681,715	\$ 20,025,097
Service cost	1,170,471	928,906	687,341

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 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	1% Decrease (4.0%)	Healthcare Cost Trend Rates (5.0%)	1% Increase (6.0%)
Net OPEB liability	\$ 17,670,524	\$ 24,681,715	\$ 33,293,843
Service cost	625,257	928,906	1,331,748

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$2,932,942. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 72,487
Changes of assumptions	2,921,051	-
Net difference between projected and actual earnings on OPEB Plan investments	-	230,201
Contributions subsequent to the measurement date	-	-
	<u>\$ 2,921,051</u>	<u>\$ 302,688</u>

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

Year Ended June 30,

2019	\$	495,569
2020		495,569
2021		495,569
2022		495,569
2023		553,119
Thereafter		82,968
	\$	<u>2,618,363</u>

Investment Custody – In accordance with Massachusetts General Laws, 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 State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. 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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Commitments and Contingencies

Litigation – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2018, 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, 2018.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). There are several residential and commercial real estate cases pending at the ATB. In total, the gross value of these properties approached \$24.0 million at June 30, 2018.

The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these tax payers, 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.

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

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

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of \$14,103,182 and \$103,762 in the Town's governmental and business-type activities, respectively. Refer to Note V.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

B. Future Year Implementations

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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. The provisions of this Statement are effective for financial reporting periods beginning after

December 15, 2018 (fiscal year 2020). 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. 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 April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). 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. 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 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. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements and record the net OPEB liability at June 30, 2017.

The impact is illustrated in the following table:

	Governmental Activities	Business-Type Activities		
		Water	Golf	Total
Net position at June 30, 2017, as reported	\$ 48,585,632	\$ 14,045,542	\$ 2,048,153	\$ 16,093,695
Eliminate recorded OPEB obligation (GASB No. 45)	7,792,645	171,003	-	171,003
Record net OPEB liability (GASB No. 75)	<u>(21,895,827)</u>	<u>(274,765)</u>	<u>-</u>	<u>(274,765)</u>
Net position at June 30, 2018, as restated	<u>\$ 34,482,450</u>	<u>\$ 13,941,780</u>	<u>\$ 2,048,153</u>	<u>\$ 15,989,933</u>

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TOWN OF HOLLISTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

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

	2017	Year Ended December 31,		2014
		2016	2015	
Town's proportion of the net pension liability (asset)	1.675%	1.707%	1.814%	1.767%
Town's proportionate share of the net pension liability (asset)	\$ 23,774	\$ 24,188	\$ 23,403	\$ 21,225
Town's covered payroll	\$ 10,339	\$ 10,294	\$ 10,191	\$ 9,799
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	229.9%	235.0%	229.6%	216.6%
Plan fiduciary net position as a percentage of the total pension liability	49.27%	45.49%	46.13%	47.65%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN
(dollar amounts are in thousands)

	2018	Year Ended June 30,		2015
		2017	2016	
Actuarially determined contribution	\$ 2,056	\$ 1,979	\$ 1,862	\$ 1,910
Contributions in relation to the actuarially determined contribution	2,133	2,064	1,947	1,947
Contribution deficiency (excess)	\$ (77)	\$ (85)	\$ (85)	\$ (37)
Town's covered payroll	\$ 10,339	\$ 10,294	\$ 10,191	\$ 9,799
Contributions as a percentage of covered payroll	20.6%	20.1%	19.1%	19.9%

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

See accompanying independent auditor's report.

TOWN OF HOLLISTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - MTRS
YEAR ENDED JUNE 30, 2018

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

	2017	Year Ended June 30,		2014
		2016	2015	
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$22,885,391	\$22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

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

See accompanying independent auditor's report.

TOWN OF HOLLISTON, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 928,906	\$ 965,170
Interest	2,194,113	2,087,749
Differences between expected and actual experience	(86,562)	-
Changes in assumptions	3,488,245	-
Benefit payments	<u>(1,540,182)</u>	<u>(1,455,576)</u>
Net change in total OPEB liability	<u>4,984,520</u>	<u>1,597,343</u>
Total OPEB liability - beginning of year	<u>31,172,639</u>	<u>29,575,296</u>
Total OPEB liability - end of year (a)	<u>\$ 36,157,159</u>	<u>\$ 31,172,639</u>
Plan fiduciary net position:		
Contributions	\$ 3,040,182	\$ 2,955,576
Net investment income	973,397	1,013,590
Benefit payments	<u>(1,540,182)</u>	<u>(1,455,576)</u>
Net change in Plan fiduciary net position	<u>2,473,397</u>	<u>2,513,590</u>
Plan fiduciary net position - beginning of year	<u>9,002,047</u>	<u>6,488,457</u>
Plan fiduciary net position - end of year (b)	<u>\$ 11,475,444</u>	<u>\$ 9,002,047</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 24,681,715</u>	<u>\$ 22,170,592</u>
Plan fiduciary net position as a percentage of the total OPEB liability	31.7%	28.9%
Covered payroll	\$ 34,177,472	\$ 35,188,394
Net OPEB liability as a percentage of covered payroll	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 compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF HOLLISTON, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018**

SCHEDULE OF CONTRIBUTIONS

	<u>2017</u>	<u>2017</u>
Actuarially-determined contribution	\$ 2,708,582	\$ 2,708,582
Contributions in relation to the actuarially-determined contribution	<u>(2,955,576)</u>	<u>(2,955,576)</u>
Contribution deficiency (excess)	<u>\$ (246,994)</u>	<u>\$ (246,994)</u>
Covered payroll	\$ 34,177,472	\$ 35,188,394
Contribution as a percentage of covered payroll	8.65%	8.40%

Notes to Schedule

Valuation Date	June 30, 2018
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Market value of assets as of reporting date
Inflation	2.75% per annum
Salary Increases	3.00% per annum
Investment Rate of Return	7.04%, net of investment expenses, including inflation
Single Equivalent Discount Rate	7.00%, net of investment expenses, including inflation.
Mortality	For pre-retirement, RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009. For post-retirement, RP-2000 Healthy Annuitant Mortality Table based generationally with scale BB and a base year 2009. For disabled, RP-2000 Healthy Annuitant Table projected generationally for scale BB and a base year 2012.

SCHEDULE OF INVESTMENT RETURNS

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	9.62%	13.80%

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

See accompanying independent auditor's report.

TOWN OF HOLLISTON, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Favorable
	Budget	Budget	Amounts		Adjusted	(Unfavorable)
Revenues:						
Real estate and personal property taxes	\$ 46,159,848	\$ 46,159,848	\$ 46,540,606		\$ 46,540,606	\$ 380,758
Intergovernmental	11,336,731	11,336,731	11,403,605		11,403,605	66,874
Motor vehicle and other excises	1,950,000	1,950,000	2,366,673		2,366,673	416,673
License and permits	335,000	335,000	419,874		419,874	84,874
Departmental and other revenue	679,000	679,000	842,760		842,760	163,760
Penalties and interest on taxes	140,000	140,000	230,310		230,310	90,310
Fines and forfeitures	60,000	60,000	51,897		51,897	(8,103)
Investment income	25,000	25,000	96,076		96,076	71,076
Total Revenues	60,685,579	60,685,579	61,951,801		61,951,801	1,266,222
Expenditures:						
General government	3,182,209	3,182,209	2,255,704	\$ 91,530	2,347,234	834,975
Public safety	4,970,884	4,970,884	4,184,359	605,769	4,790,128	180,756
Education	34,715,694	34,715,694	33,645,280	1,037,541	34,682,821	32,873
Public works	3,337,070	3,337,070	2,893,621	317,463	3,211,084	125,986
Health and human services	551,707	551,707	492,879	8,012	500,891	50,816
Culture and recreation	676,749	676,749	669,002	5,934	674,936	1,813
Pension and fringe benefits	9,117,146	9,117,146	8,817,729	-	8,817,729	299,417
Debt service	5,468,076	5,468,076	5,463,873	-	5,463,873	4,203
State and county tax assessments	480,674	480,674	447,652	-	447,652	33,022
Total Expenditures	62,500,209	62,500,209	58,870,099	2,066,249	60,936,348	1,563,861
Other Financing Sources (Uses):						
Transfers in	855,330	855,330	1,225,289	-	1,225,289	369,959
Transfers out	(3,321,303)	(3,321,303)	(3,445,553)	-	(3,445,553)	(124,250)
Total Other Financing Sources (Uses)	(2,465,973)	(2,465,973)	(2,220,264)	-	(2,220,264)	245,709
(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures and Uses of Prior Year Budgetary Fund Balance	(4,280,603)	(4,280,603)	\$ 861,438	\$ (2,066,249)	\$ (1,204,811)	\$ 3,075,792
Other budget items:						
Prior year encumbrances	2,007,400	2,007,400				
From available surplus (free cash)	2,273,203	2,273,203				
Total other budget items	4,280,603	4,280,603				
Net budget	\$ -	\$ -				

The notes to the financial statements are an integral part of this statement.

TOWN OF HOLLISTON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

I. Budgetary Basis of Accounting

An annual budget is legally adopted for the general fund and water enterprise fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by the Town members at the Town's annual meeting in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town meeting and the department heads however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town's general fund is prepared on a basis other than 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 reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 61,951,801
On behalf payments	\$ 7,538,524	\$ -	7,538,524
Revenue recognition - effect of 60-day receivables	(15,380)	-	(15,380)
Stabilization interest - GASB 54 impact	-	11,726	11,726
Revenues on a GAAP basis	<u>\$ 7,523,144</u>	<u>\$ 11,726</u>	<u>\$ 69,486,671</u>
Expenditures on a budgetary basis			\$ 58,870,099
Debt service treated as transfers out	\$ (96,479)	\$ -	(96,479)
Expense recognition - effect of prepayments	(30,384)	-	(30,384)
Effect of elimination of health care trust fund	(120,322)	-	(120,322)
On behalf payments	7,538,524	-	7,538,524
Expenditures on a GAAP basis	<u>\$ 7,291,339</u>	<u>\$ -</u>	<u>\$ 66,161,438</u>
Net transfers on a budgetary basis			\$ (2,220,264)
Stabilization transfers - GASB 54 impact	-	250,000	250,000
Debt service treated as transfers out	(96,479)	-	(96,479)
Net transfers on a GAAP basis	<u>\$ (96,479)</u>	<u>\$ 250,000</u>	<u>\$ (2,066,743)</u>