



TOWN OF BOLTON, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Bolton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bolton, Massachusetts (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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, each major fund, and the aggregate remaining fund information of the Town of Bolton, Massachusetts, as of June 30, 2020, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
December 18, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide financial statements

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

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

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

The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources

available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required/Other Supplementary Information (Other Than MD&A)

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$36,419,534, a change of \$589,683.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,780,158, a change of \$881,921 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,631,288, a change of \$224,492 in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION (in thousands)

	Governmental <u>Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 6,091	\$ 6,332
Capital assets	<u>45,203</u>	<u>45,132</u>
Total assets	51,294	51,464
Deferred outflows of resources	875	1,042
Current liabilities	1,581	2,572
Noncurrent liabilities	<u>13,915</u>	<u>14,024</u>
Total liabilities	15,496	16,596
Deferred inflows of resources	253	80
Net investment in capital assets	39,005	37,962
Restricted	1,272	1,170
Unrestricted	<u>(3,857)</u>	<u>(3,302)</u>
Total net position	\$ <u>36,420</u>	\$ <u>35,830</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$36,419,534, a change of \$589,683 in comparison to the prior year.

The largest portion of net position \$39,004,680 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$1,296,568 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(3,881,714) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)

	Governmental <u>Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 915	\$ 999
Operating grants and contributions	711	100
Capital grants and contributions	889	444
General revenues:		
Property taxes	22,570	21,681
Excises	982	1,015
Penalties and interest on taxes	162	173
Grants and contributions not restricted to specific programs	20	231
Investment income	57	73
Other	<u>381</u>	<u>532</u>
Total revenues	26,687	25,248
Expenses:		
General government	2,598	2,191
Public safety	3,388	3,108
Education	16,694	15,883
Public works	1,898	1,725
Human services	268	257
Culture and recreation	982	950
Interest on long-term debt	258	499
Intergovernmental	<u>11</u>	<u>9</u>
Total expenses	<u>26,097</u>	<u>24,622</u>
Change in net position	590	626
Net position - beginning of year	<u>35,830</u>	<u>35,204</u>
Net position - end of year	<u>\$ 36,420</u>	<u>\$ 35,830</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$589,683. Key elements of this change are as follows:

General fund operations	\$	162,355
General fund contribution to CPF		201,044
Other governmental funds results		102,117
Other changes		<u>124,167</u>
Total	\$	<u><u>589,683</u></u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,631,288, while total fund balance was \$3,590,943. The unassigned fund balance increased as the budgetary surplus of \$638,849 (page 51) was reduced by our use of free cash of approximately \$480,000 for fiscal year 2020 supplemental appropriation and for fiscal year 2021.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures</u>
Unassigned fund balance	\$ 2,631,288	\$ 2,406,796	\$ 224,492	10.7%
Total fund balance	\$ 3,590,943	\$ 3,428,588	\$ 162,355	14.6%

The total fund balance of the general fund changed by \$162,355 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$	(778,449)
Revenues in excess of budget		208,824
Expenditures less than budget		430,025
Excess of current year encumbrances to be spent in the subsequent year over prior year encumbrances spent in the current year		303,658
Other		<u>(1,703)</u>
Total	\$	<u><u>162,355</u></u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 1,044,562	\$ 1,023,218	\$ 21,344
Capital stabilization	<u>21,003</u>	<u>20,823</u>	<u>180</u>
Total	\$ <u><u>1,065,565</u></u>	\$ <u><u>1,044,041</u></u>	\$ <u><u>21,524</u></u>

Other Major Funds

The capital project fund accounts for various ongoing capital projects. During fiscal year 2020, the Town expended \$274,945 on the projects, and received \$745,000 in new money bond proceeds.

Non-Major Governmental Funds

The non-major fund balance changed by \$102,117 primarily from timing differences between the receipt and disbursement of grants.

General Fund Budgetary Highlights

The final budget increased by \$370,155 due to supplemental capital articles voted and funded by free cash.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$45,203,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- \$1,229,168 – Road improvements
- \$83,268 – DPW Vehicles
- \$78,595 – Town Hall repairs

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$6,170,000, all of which was backed by the full faith and credit of the Town.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Bolton’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Town Accountant
Town of Bolton
663 Main Street
Bolton, Massachusetts 01740

TOWN OF BOLTON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 3,745,128
Investments	1,098,949
Receivables, net of allowance for uncollectibles:	
Property taxes	411,716
Excises	59,791
Departmental and other	55,957
Intergovernmental	<u>318,885</u>
Total Current Assets	5,690,426
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	400,630
Capital assets:	
Land and construction in progress	11,359,222
Other capital assets, net of accumulated depreciation	<u>33,844,205</u>
Total Noncurrent Assets	<u>45,604,057</u>
Total Assets	51,294,483
Deferred Outflows of Resources	
Related to pensions	<u>874,886</u>
Total Deferred Outflows of Resources	874,886
	(continued)

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

TOWN OF BOLTON, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)

Liabilities

Current:

Warrants payable	195,804
Accounts payable	15,923
Accrued liabilities	79,351
Notes payable	344,014
Other current liabilities	228
Current portion of long-term liabilities:	
Bonds payable	935,000
Compensated absences	6,027
Landfill liability	<u>6,100</u>

Total Current Liabilities 1,582,447

Noncurrent:

Bonds payable, net of current portion	5,235,000
Net pension liability	6,900,864
Net OPEB liability	1,621,312
Compensated absences, net of current portion	114,521
Landfill liability, net of current portion	<u>42,700</u>

Total Noncurrent Liabilities 13,914,397

Total Liabilities 15,496,844

Deferred Inflows of Resources

Related to pensions	<u>252,991</u>
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Total Deferred Inflows of Resources 252,991

Net Position

Net investment in capital assets	39,004,680
Restricted for:	
Grants and other statutory restrictions	847,751
Permanent funds:	
Nonexpendable	54,124
Expendable	369,737
Unrestricted	<u>(3,856,758)</u>

Total Net Position \$ 36,419,534

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

TOWN OF BOLTON, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenues and</u> <u>Changes in</u> <u>Net Position</u>
					<u>Governmental</u> <u>Activities</u>
Governmental Activities					
General government	\$ 2,598,590	\$ 517,419	\$ 644,231	\$ -	\$ (1,436,940)
Public safety	3,388,464	291,234	37,996	-	(3,059,234)
Education	16,693,758	69,470	4,568	-	(16,619,720)
Public works	1,897,788	60	7,366	888,940	(1,001,422)
Health and human services	268,049	19,715	-	-	(248,334)
Culture and recreation	982,022	17,257	17,282	-	(947,483)
Interest on long-term debt	258,080	-	-	-	(258,080)
Intergovernmental	10,818	-	-	-	(10,818)
Total Governmental Activities	\$ <u>26,097,569</u>	\$ <u>915,155</u>	\$ <u>711,443</u>	\$ <u>888,940</u>	(23,582,031)
General Revenues					
					22,570,115
					981,726
					162,166
					19,863
					56,963
					<u>380,881</u>
					<u>24,171,714</u>
					589,683
Net Position					
					<u>35,829,851</u>
					<u>\$ 36,419,534</u>

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

TOWN OF BOLTON, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	Capital Project Major Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 2,552,828	\$ 261,617	\$ 930,683	\$ 3,745,128
Investments	1,044,562	-	54,387	1,098,949
Receivables:			-	
Property taxes	912,617	-	-	912,617
Excises	75,276	-	-	75,276
Departmental and other	-	-	158,729	158,729
Intergovernmental	-	-	318,885	318,885
Total Assets	<u>\$ 4,585,283</u>	<u>\$ 261,617</u>	<u>\$ 1,462,684</u>	<u>\$ 6,309,584</u>
Liabilities				
Warrants payable	\$ 168,879	\$ -	\$ 26,925	\$ 195,804
Accounts payable	15,923	-	-	15,923
Accrued liabilities	25,904	-	5,418	31,322
Notes payable	-	344,014	-	344,014
Other liabilities	228	-	-	228
Total Liabilities	210,934	344,014	32,343	587,291
Deferred Inflows of Resources				
Unavailable revenues	783,406	-	158,729	942,135
Fund Balances				
Nonspendable	-	-	54,124	54,124
Restricted	27,699	39,699	1,367,942	1,435,340
Committed	-	-	-	-
Assigned	931,956	-	-	931,956
Unassigned	2,631,288	(122,096)	(150,454)	2,358,738
Total Fund Balances	<u>3,590,943</u>	<u>(82,397)</u>	<u>1,271,612</u>	<u>4,780,158</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,585,283</u>	<u>\$ 261,617</u>	<u>\$ 1,462,684</u>	<u>\$ 6,309,584</u>

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

TOWN OF BOLTON, MASSACHUSETTS

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

Total governmental fund balances	\$ 4,780,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	45,203,427
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	723,607
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(14,239,629)
Other	<u>(48,029)</u>
Net position of governmental activities	\$ <u><u>36,419,534</u></u>

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

TOWN OF BOLTON, MASSACHUSETTS

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

	<u>General Fund</u>	<u>Capital Project Major Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 22,616,396	\$ -	\$ -	\$ 22,616,396
Excises	987,699	-	-	987,699
Penalties, interest and other taxes	162,166	-	-	162,166
Charges for services	238,426	-	465,091	703,517
Intergovernmental	256,544	-	1,343,839	1,600,383
Licenses and permits	178,576	-	-	178,576
Fines and Forfeitures	36,971	-	-	36,971
Donations	-	-	19,863	19,863
Investment income	50,264	-	6,699	56,963
Miscellaneous	82,687	-	6,445	89,132
	24,609,729	-	1,841,937	26,451,666
Expenditures				
Current:				
General government	1,218,722	78,595	484,624	1,781,941
Public safety	2,358,380	-	189,602	2,547,982
Education	16,195,318	-	-	16,195,318
Public works	1,672,030	196,350	813,176	2,681,556
Health and human services	171,837	-	12,479	184,316
Culture and recreation	484,676	-	14,939	499,615
Employee benefits	1,383,905	-	-	1,383,905
Debt service:				
Principal	840,000	-	-	840,000
Interest	276,043	-	-	276,043
Intergovernmental	10,818	-	-	10,818
	24,611,729	274,945	1,514,820	26,401,494
Excess (deficiency) of revenues over expenditures	(2,000)	(274,945)	327,117	50,172
Other Financing Sources (Uses)				
Issuance of bonds	-	745,000	-	745,000
Issuance of refunding bonds	-	2,020,000	-	2,020,000
Payments to refunded escrow agent	-	(2,264,213)	-	(2,264,213)
Bond premiums	86,749	244,213	-	330,962
Transfers in	278,650	201,044	-	479,694
Transfers out	(201,044)	(53,650)	(225,000)	(479,694)
	164,355	892,394	(225,000)	831,749
Total Other Financing Sources (Uses)	164,355	892,394	(225,000)	831,749
Change in fund balance	162,355	617,449	102,117	881,921
Fund Balance, at Beginning of Year	3,428,588	(699,846)	1,169,495	3,898,237
Fund Balance, at End of Year	\$ 3,590,943	\$ (82,397)	\$ 1,271,612	\$ 4,780,158

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

TOWN OF BOLTON, MASSACHUSETTS

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

Net changes in fund balances - total governmental funds \$ 881,921

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	1,619,234
Depreciation	(1,548,287)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of debt	(2,765,000)
Repayments of debt	840,000
Reduction due to refunding	2,225,000

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (56,163)

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

Change in pension expense from GASB 68	(547,319)
Change in OPEB expense from GASB 75	(85,950)

Other differences	<u>26,247</u>
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Change in net position of governmental activities \$ 589,683

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

TOWN OF BOLTON, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post Employment Benefits <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ 5,621	\$ 18,726	\$ 589,821
Investments:			
Corporate equities	730,646	-	-
Mutual funds	<u>343,163</u>	<u>-</u>	<u>-</u>
Total Investments	<u>1,073,809</u>	<u>-</u>	<u>-</u>
Total Assets	1,079,430	18,726	589,821
Liabilities			
Other liabilities	<u>-</u>	<u>-</u>	<u>589,821</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 589,821</u>
Net Position			
Restricted for OPEB purposes	1,079,430	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>18,726</u>	
Total Net Position	<u>\$ 1,079,430</u>	<u>\$ 18,726</u>	

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

TOWN OF BOLTON, MASSACHUSETTS

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

	Other Post Employment Benefits <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>
Additions		
Contributions:		
Employers	\$ <u>320,479</u>	\$ <u>-</u>
Total contributions	320,479	-
Investment Income:		
Interest	25,929	732
(Decrease) in fair value of investments	<u>(1,481)</u>	<u>-</u>
Net investment income	<u>24,448</u>	<u>732</u>
Total additions	344,927	732
Deductions		
Benefit payments to plan members	100,738	
Other	<u>-</u>	<u>251</u>
Total deductions	<u>100,738</u>	<u>251</u>
Net increase	244,189	481
Net position restricted for pensions and other purposes		
Beginning of year	<u>835,241</u>	<u>18,245</u>
End of year	<u>\$ <u>1,079,430</u></u>	<u>\$ <u>18,726</u></u>

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

TOWN OF BOLTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

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

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

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments are carried at fair value.

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$129,702. Certain provisions of Proposition 2½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30-75
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or

expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line-item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund.

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

Deficit Fund Equity

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

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

3. Deposit and Investments

Town (Excluding the OPEB Trust Fund)

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

Custodial Credit Risk - Deposits

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

As of June 30, 2020, \$76,193 of the Town's bank balance of \$4,419,177 was exposed to custodial credit risk as uninsured and/or uncollateralized. \$76,193 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 202,782
Corporate bonds	422,654
Corporate equities	109,900
U.S. Treasury and agencies	<u>363,613</u>
Total investments	<u>\$ 1,098,949</u>

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk. The Town manages this custodial credit risk with SIPC and excess SIPC.

As of June 30, 2020, \$1,098,949 of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Certificates of deposit	\$ 202,782	\$ 202,782
Corporate bonds	422,654	422,654
Corporate equities	109,900	109,900
U.S. Treasury and agencies	<u>363,613</u>	<u>363,613</u>
Total	<u>\$ 1,098,949</u>	<u>\$ 1,098,949</u>

Credit Risk - Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. The Town does not have formal investment policies related to credit risk.

As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, Inc./S&P Global Ratings/Fitch Ratings, Inc., of the Town's debt securities are as follows:

<u>Investment Type</u>	<u>Amount</u>	Rating as of Year End					
		<u>AAA</u>	<u>AA+</u>	<u>A+</u>	<u>AA-</u>	<u>A-</u>	<u>BBB+</u>
Corporate bonds	422,654	-	-	112,334	115,891	119,170	75,260
U.S. Treasury and agencies	363,613	152,251	211,362	-	-	-	-
Total	\$ 786,267	\$ 152,251	\$ 211,362	\$ 112,334	\$ 115,891	\$ 119,170	\$ 75,260

Concentration of Credit Risk - Investments

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Individual investments exceeding 5% of the Town's total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Pepsico inc	\$ 55,705	5.07%
Unilever cap corp	56,629	5.15%
Bank amer corp ser	56,307	5.12%
Pfizer inc	65,007	5.92%
Total	\$ 233,648	

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Corporate bonds	422,654	55,705	366,949
U.S. Treasury amnd agencies	363,613	70,553	252,917
Total	\$ 786,267	\$ 126,258	\$ 619,866

Foreign Currency Risk - Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Certificates of deposit	\$ 202,782	\$ -	\$ 202,782
Corporate bonds	422,654	-	422,654
Corporate equities	109,900	109,900	-
U.S. Treasury and agencies	<u>363,613</u>	363,613	-
Total	<u>\$ 1,098,949</u>		

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

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

4. Investments - OPEB Trust Fund

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

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

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 730,646
Mutual funds	<u>343,163</u>
Total investments	<u>\$ 1,073,809</u>

Custodial Credit Risk

As of June 30, 2020, \$1,073,809 of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Corporate equities	\$ 730,646	\$ 730,646
Mutual funds	<u>343,163</u>	<u>343,163</u>
Total	<u>\$ 1,073,809</u>	<u>\$ 1,073,809</u>

Concentration of Credit Risk

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

<u>Investment Issuer</u>	<u>Amount</u>	% of total <u>Investments</u>
Carillon Eagle Growth	\$ 108,249	10%
Alger Focus	<u>135,203</u>	13%
Total	<u>\$ 243,452</u>	

Fair Value

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

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using: <u>(Level 1)</u>
Investments by fair value level:		
Corporate equities	\$ 730,646	\$ 730,646
Mutual funds	<u>343,163</u>	343,163
Total	<u>\$ 1,073,809</u>	

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

5. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

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

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

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

Property taxes, excise, and departmental receivables at June 30, 2020 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 434,004	\$ (46,286)	\$ 387,718	\$ -
Personal property taxes	33,469	(9,471)	23,998	-
Tax liens	<u>445,144</u>	<u>(44,514)</u>	<u>-</u>	<u>400,630</u>
Total property taxes	<u>\$ 912,617</u>	<u>\$ (100,271)</u>	<u>\$ 411,716</u>	<u>\$ 400,630</u>
Motor vehicle excise	<u>\$ 75,276</u>	<u>\$ (15,485)</u>	<u>\$ 59,791</u>	
Total excises	<u>\$ 75,276</u>	<u>\$ (15,485)</u>	<u>\$ 59,791</u>	
Ambulance	\$ 138,464	\$ (102,772)	\$ 35,692	
Police	<u>\$ 20,265</u>	<u>\$ -</u>	<u>\$ 20,265</u>	
Total departmental	<u>\$ 158,729</u>	<u>\$ (102,772)</u>	<u>\$ 55,957</u>	

6. Interfund Fund Accounts

Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 278,650	\$ 201,044
Capital Project Funds	201,044	53,650
Nonmajor Funds:		
Special Revenue Funds	<u>-</u>	<u>225,000</u>
Subtotal Nonmajor Funds	<u>-</u>	<u>225,000</u>
Grand Total	<u>\$ 479,694</u>	<u>\$ 479,694</u>

The Town transferred \$150,000 from the cell tower fund and \$75,000 from Ambulance receipts reserved fund which has recurring revenues of approximately \$135,000 annually into the General Fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

7. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 45,607	\$ -	\$ -	\$ 45,607
Machinery, equipment, and furnishings	3,675	311	-	3,986
Infrastructure	<u>3,908</u>	<u>512</u>	<u>-</u>	<u>4,420</u>
Total capital assets, being depreciated	53,190	823	-	54,013
Less accumulated depreciation for:				
Buildings and improvements	(16,386)	(1,077)	-	(17,463)
Machinery, equipment, and furnishings	(1,683)	(359)	-	(2,042)
Infrastructure	<u>(552)</u>	<u>(112)</u>	<u>-</u>	<u>(664)</u>
Total accumulated depreciation	<u>(18,621)</u>	<u>(1,548)</u>	<u>-</u>	<u>(20,169)</u>
Total capital assets, being depreciated, net	34,569	(725)	-	33,844
Capital assets, not being depreciated:				
Land	8,468	-	-	8,468
Intangible	1,990	-	-	1,990
Construction in progress	<u>105</u>	<u>825</u>	<u>(29)</u>	<u>901</u>
Total capital assets, not being depreciated	<u>10,563</u>	<u>825</u>	<u>(29)</u>	<u>11,359</u>
Governmental activities capital assets, net	<u>\$ 45,132</u>	<u>\$ 100</u>	<u>\$ (29)</u>	<u>\$ 45,203</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 31
Public safety	307
Education	596
Public works	277
Culture and recreation	<u>337</u>
Total governmental activities	<u>\$ 1,548</u>

8. Deferred Outflows of Resources

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

9. Warrants and Accounts Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020. Accounts payable represent additional 2020 expenditures paid after July 15, 2020.

10. Accrued Liabilities

Accrued liabilities expenses represent 2020 expenditures paid in 2021.

11. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
Long Hill Road culvert repair	1.78%	10/01/19	10/01/20	122,096
Spectacle Hill flood control	1.78%	10/01/19	10/01/20	221,918
Total				<u>\$ 344,014</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Berlin Road culvert repair	\$ 187,200	\$ -	\$ (187,200)	\$ -
Wilder Road culvert repair	129,400	-	(129,400)	-
Town Hall external repairs and engineering	226,530	-	(226,530)	-
DPW truck	60,146	-	(60,146)	-
DPW tractor/loader backhoe	53,634	-	(53,634)	-
DPW sander body replacement/repair	37,714	-	(37,714)	-
Town Common	175,500	-	(175,500)	-
Long Hill Road culvert repair	137,358	122,096	(137,358)	122,096
Spectacle Hill flood control	246,576	221,918	(246,576)	221,918
Total	<u>\$ 1,254,058</u>	<u>\$ 344,014</u>	<u>\$ (1,254,058)</u>	<u>\$ 344,014</u>

12. Long-Term Debt

Long-Term Debt Supporting Activities

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds have been issued for governmental activities. General obligation bonds and direct borrowing currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/20</u>
Public offerings:				
School remodeling	1,922,808	06/30/21	4.95%	\$ 95,000
Landfill and transfer station	1,216,111	06/30/21	4.86%	39,000
Land acquisition	1,148,482	06/30/21	4.89%	6,000
General obligation municipal purpose loan	3,715,000	04/01/29	5.00%	3,265,000
General obligation municipal purpose loan	2,765,000	06/30/29	1.08%	2,765,000
Total public offerings				<u>6,170,000</u>
Total governmental activities				<u>\$ 6,170,000</u>

Future Debt Service

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

<u>Governmental</u>	<u>Bonds - Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 935,000	\$ 248,545
2022	805,000	209,550
2023	805,000	173,800
2024	685,000	138,950
2025	690,000	108,200
2026 - 2029	<u>2,250,000</u>	<u>137,625</u>
Total	<u>\$ 6,170,000</u>	<u>\$ 1,016,670</u>

Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 6,470	\$ 2,765	\$ (3,065)	\$ 6,170	\$ (935)	\$ 5,235
Net pension liability	6,694	207	-	6,901	-	6,901
Net OPEB liability	1,535	86	-	1,621	-	1,621
Compensated absences	122	-	(1)	121	(6)	115
Landfill liability	55	-	(6)	49	(6)	43
Total	<u>\$ 14,876</u>	<u>\$ 3,058</u>	<u>\$ (3,072)</u>	<u>\$ 14,862</u>	<u>\$ (947)</u>	<u>\$ 13,915</u>

Long-Term Debt Supporting Governmental Activities

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

Current Refundings

On August 29, 2019, the Town issued general obligation bonds in the amount of \$2,020,000 (as part of a larger issuance totaling \$2,765,000) with fixed interest rates ranging from 2.00% to 5.00% to current refund \$2,225,000 par amount of bonds issued at various times with interest rates ranging from 3.00% to 4.00%. The refunded bonds were called on October 1, 2019. The general obligation bonds issued for the refunding were issued at 1.11% (TIC) and, after paying issuance costs of \$36,528, the net proceeds were \$2,264,712. The net proceeds from the issuance of the general obligation bonds were deposited with the Town and then used to effect the redemptions, including accrued interest to the date of redemption.

As a result of the current refunding, the Town reduced its total debt service cash flow requirements by \$266,359, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$249,820.

13. Landfill Closure and Postclosure Care Costs

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

The \$48,800 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension will be recognized as expense in future years and is more fully described in the corresponding pension note. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

15. **Governmental Funds - Balances**

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

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

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

Nonspendable

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

Restricted

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

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, special purpose stabilization funds, and various special revenue funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned

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

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

	General Fund	Capital Project Major Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	-	\$ 54,124	\$ 54,124
Total Nonexpendable	-	-	54,124	54,124
Restricted				
Debt service	27,699	39,699	-	67,398
Special revenue funds:				
Ambulance	-	-	318,502	318,502
Cingular Tower	-	-	253,380	253,380
Other	-	-	426,323	426,323
Expendable permanent funds	-	-	369,737	369,737
Total Restricted	27,699	39,699	1,367,942	1,435,340
Assigned				
Encumbrances:				
General government	13,024	-	-	13,024
Public safety	120,614	-	-	120,614
Education	62,375	-	-	62,375
Public works	619,708	-	-	619,708
Culture and recreation	2,620	-	-	2,620
Employee benefits	3,615	-	-	3,615
Next year's expenditures:				
Operating	110,000	-	-	110,000
Total Assigned	931,956	-	-	931,956
Unassigned				
General fund	1,565,724	-	-	1,565,724
General stabilization fund	1,044,562	-	-	1,044,562
Capital stabilization	21,002	-	-	21,002
Unassigned	-	(122,096)	(150,454)	(272,550)
Total Unassigned	2,631,288	(122,096)	(150,454)	2,358,738
Total Fund Balance	\$ 3,590,943	\$ (82,397)	\$ 1,271,612	\$ 4,780,158

*

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

16. Retirement System

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

Plan Description

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

Participant Contributions

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

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

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the

difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of

his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2020 was \$472,043, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Town reported a liability of \$6,900,864 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was

determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.775265%, which was an increase of .037087% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$848,354. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 20,265	\$ (41,346)
Changes of assumptions	385,704	-
Net difference between projected and actual earnings on pension plan investments	-	(189,543)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>468,917</u>	<u>(22,102)</u>
Total	<u>\$ 874,886</u>	<u>\$ (252,991)</u>

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

Year ended June 30:	
2021	\$ 296,784
2022	159,757
2023	127,280
2024	(25,492)
2025	<u>63,566</u>
Total	<u>\$ 621,895</u>

Actuarial Assumptions

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

Inflation	2%
Salary increases	4.25% - 7%, based on service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Remaining amortization period	Till fiscal 2035

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

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	39.00%	4.68%
Fixed Income	15.00%	0.59%
Value-Added Fixed Income	8.00%	4.40%
Private Equity	13.00%	8.50%
Real Estate	10.00%	3.70%
Timber/Natural Resources	4.00%	4.30%
Hedge Funds	11.00%	3.40%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.65%)</u>	<u>(7.65%)</u>	<u>(8.65%)</u>
\$ 8,420,851	\$ 6,900,864	\$ 5,617,278

Pension Plan Fiduciary Net Position

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

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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

payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. GASB 75 allows employers with less than 100 total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists.

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

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through Minuteman Nashoba Health Group. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

The Town’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on actuarially determined amounts.

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	15
Active employees	<u>32</u>
Total	<u><u>47</u></u>

Investments

The OPEB trust fund assets consist of equities and mutual funds.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of

return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. GASB 75 allows employers with less than 100 total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists.

The net OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	not explicitly stated
Salary increases	1.71%, average, including inflation
Investment rate of return	5%, net of OPEB plan investment expense
Municipal bond rate	2.21%
Discount rate	5.00%
Healthcare cost trend rates	4.6% for 2020, fluctuating 0.1% to an ultimate rate of 4.7% as of 2029 and later years
Participation rate	100%

Mortality rates were based on the RP-2000 Mortality Table for Males and Females projected 18 years; this assumption does not include a margin for future improvements in longevity.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	31.00%	4.96%
International Equity	21.00%	7.01%
Domestic Bond	22.00%	2.22%
International Bond	6.00%	1.53%
Alternatives	20.00%	2.76%
Private Equity	0.00%	8.59%
Real Estate	<u>0.00%</u>	7.03%
Total	<u>100.00%</u>	

Contributions

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

Discount Rate

The discount rate used to measure the net OPEB liability was 5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

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

Total OPEB liability	\$ 2,700,742
Plan fiduciary net position	<u>1,079,430</u>
Net OPEB liability	<u>\$ 1,621,312</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 39.97%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 2,370,603	\$ 835,241	\$ 1,535,362
Changes for the year:			
Service cost	57,510	-	57,510
Interest	178,399	-	178,399
Contributions - employer	-	320,479	(320,479)
Net investment income	-	24,448	(24,448)
Changes in assumptions	194,968		194,968
Benefit payments	<u>(100,738)</u>	<u>(100,738)</u>	<u>-</u>
Net Changes	<u>330,139</u>	<u>244,189</u>	<u>85,950</u>
Balances, end of year	<u>\$ 2,700,742</u>	<u>\$ 1,079,430</u>	<u>\$ 1,621,312</u>

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

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

1% Decrease <u>(4%)</u>	Current Discount Rate <u>(5%)</u>	1% Increase <u>(6%)</u>
\$ 1,965,228	\$ 1,621,312	\$ 1,336,457

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

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

1% Decrease <u>(3.6%)</u>	Current Discount Rate <u>(4.6%)</u>	1% Increase <u>(5.6%)</u>
\$ 1,313,638	\$ 1,621,312	\$ 1,994,932

18. Commitments and Contingencies

COVID-19

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

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

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

Encumbrances

At year-end, the Town's general fund has \$821,956 in encumbrances that will be honored in the next fiscal year.

19. New Pronouncements

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

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

TOWN OF BOLTON, MASSACHUSETTS

Required Supplemental Information
 General Fund
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses –
 Budget and Actual
 For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property Taxes	\$ 22,557,581	\$ 22,557,581	\$ 22,557,581	\$ -
Excise	962,000	962,000	987,699	25,699
Penalties, interest and other taxes	60,000	60,000	162,166	102,166
Charges for services	221,660	221,660	238,426	16,766
Intergovernmental	289,699	289,699	256,544	(33,155)
Licenses and permits	162,000	162,000	178,576	16,576
Fines and forfeitures	40,000	40,000	36,971	(3,029)
Investment income	12,000	12,000	28,740	16,740
Miscellaneous	-	-	67,061	67,061
	24,304,940	24,304,940	24,513,764	208,824
Expenditures				
General government	1,440,878	1,440,878	1,203,374	237,504
Public safety	2,403,867	2,447,499	2,444,469	3,030
Education	16,223,490	16,273,017	16,113,833	159,184
Public works	1,648,168	1,925,164	1,980,197	(55,033)
Health and human services	188,065	188,065	171,837	16,228
Culture and recreation	495,789	495,789	487,296	8,493
Employee benefits	1,402,898	1,402,898	1,387,520	15,378
Debt service	1,325,708	1,325,708	1,281,087	44,621
Intergovernmental	11,438	11,438	10,818	620
	25,140,301	25,510,456	25,080,431	430,025
Excess (deficiency) of revenues over expenditures	(835,361)	(1,205,516)	(566,667)	638,849
Other Financing Sources/Uses				
Transfers in	278,651	278,651	294,276	15,625
Use of free cash:				
Operating budget	288,294	288,294	288,294	-
Capital budget	-	370,155	370,155	-
Use of overlay surplus	120,000	120,000	120,000	-
Other source(s)	148,416	148,416	159,265	10,849
	835,361	1,205,516	1,231,990	26,474
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 665,323	\$ 665,323

See Independent Auditors' Report.

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

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers GAAP Basis	\$ 24,609,729	\$ 24,611,729	\$ 164,355
Remove effect of combining stabilization and general fund	(21,524)	-	-
Adjust tax revenue to accrual basis	(58,815)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(518,298)	-
Add end-of-year appropriation carryforwards from expenditures	-	821,956	-
To record use of free cash	-	-	658,449
To record use of overlay surplus	-	-	120,000
To record timing differences	<u>(15,626)</u>	<u>165,044</u>	<u>289,186</u>
Budgetary Basis	<u>\$ 24,513,764</u>	<u>\$ 25,080,431</u>	<u>\$ 1,231,990</u>

See Independent Auditors' Report.

TOWN OF BOLTON, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

Worcester Regional Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	December 31, 2019	0.775265%	\$6,900,864	\$ 2,766,634	249.43%	47.40%
June 30, 2019	December 31, 2018	0.738178%	\$6,693,520	\$ 2,223,858	300.99%	43.05%
June 30, 2018	December 31, 2017	0.740943%	\$6,041,853	\$ 2,079,408	290.56%	46.40%
June 30, 2017	December 31, 2016	0.699152%	\$5,856,055	\$ 2,366,609	247.44%	42.00%
June 30, 2016	December 31, 2015	0.703198%	\$4,991,349	\$ 2,462,134	202.72%	44.52%
June 30, 2015	December 31, 2014	0.626075%	\$3,725,574	\$ 2,367,437	157.37%	47.94%

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

See Independent Auditors' Report.

TOWN OF BOLTON, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Worcester Regional Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Required Contribution	Actuarially Required Contribution				
June 30, 2020	December 31, 2019	\$ 472,043	\$ 472,043	\$ -	\$ 2,766,634	17.06%	
June 30, 2019	December 31, 2018	\$ 410,977	\$ 410,977	\$ -	\$ 2,223,858	18.48%	
June 30, 2018	December 31, 2017	\$ 374,912	\$ 374,912	\$ -	\$ 2,079,408	18.03%	
June 30, 2017	December 31, 2016	\$ 339,612	\$ 339,612	\$ -	\$ 2,366,609	14.35%	
June 30, 2016	December 31, 2015	\$ 316,341	\$ 316,341	\$ -	\$ 2,462,134	12.85%	
June 30, 2015	December 31, 2014	\$ 247,419	\$ 247,419	\$ -	\$ 2,367,437	10.45%	

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See Independent Auditors' Report.

TOWN OF BOLTON, MASSACHUSETTS

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

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 57,510	\$ 67,417	\$ 70,508	\$ 71,791
Interest	178,399	192,176	149,671	109,870
Differences between expected and actual experience	-	-	426,887	104,956
Changes of assumptions	194,968	(332,319)	(284,590)	-
Benefit payments, including refunds of member contributions	<u>(100,738)</u>	<u>(101,357)</u>	<u>(98,297)</u>	<u>(90,086)</u>
Net change in total OPEB liability	330,139	(174,083)	264,179	196,531
Total OPEB liability - beginning	<u>2,370,603</u>	<u>2,544,686</u>	<u>2,280,507</u>	<u>2,083,976</u>
Total OPEB liability - ending (a)	2,700,742	2,370,603	2,544,686	2,280,507
Plan Fiduciary Net Position				
Contributions - employer	320,479	279,714	284,090	274,144
Net investment income	24,448	42,733	30,783	24,325
Benefit payments, including refunds of member contributions	<u>(100,738)</u>	<u>(101,357)</u>	<u>(98,297)</u>	<u>(90,086)</u>
Net change in plan fiduciary net position	244,189	221,090	216,576	208,383
Plan fiduciary net position - beginning	<u>835,241</u>	<u>614,151</u>	<u>397,575</u>	<u>189,192</u>
Plan fiduciary net position - ending (b)	<u>1,079,430</u>	<u>835,241</u>	<u>614,151</u>	<u>397,575</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 1,621,312</u>	<u>\$ 1,535,362</u>	<u>\$ 1,930,535</u>	<u>\$ 1,882,932</u>

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

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

See Independent Auditors' Report.

TOWN OF BOLTON, MASSACHUSETTS

OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 2,700,742	\$ 2,370,603	\$ 2,544,686	\$ 2,280,507
Plan fiduciary net position	<u>1,079,430</u>	<u>835,241</u>	<u>614,151</u>	<u>397,575</u>
Net OPEB liability (asset)	<u>\$ 1,621,312</u>	<u>\$ 1,535,362</u>	<u>\$ 1,930,535</u>	<u>\$ 1,882,932</u>
Plan fiduciary net position as a percentage of the total OPEB liability	39.97%	35.23%	24.13%	17.43%
Covered employee payroll	\$ unavailable	\$ unavailable	\$ unavailable	\$ unavailable
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 186,271	\$ 189,380	\$ 219,741	\$ 189,509
Contributions in relation to the actuarially determined contribution	<u>320,479</u>	<u>279,714</u>	<u>284,090</u>	<u>274,144</u>
Contribution deficiency (excess)	<u>\$ (134,208)</u>	<u>\$ (90,334)</u>	<u>\$ (64,349)</u>	<u>\$ (84,635)</u>
Covered employee payroll	\$ unavailable	\$ unavailable	\$ unavailable	\$ unavailable
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	unavailable	unavailable	unavailable	3.59%

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See Independent Auditors' Report.