

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2023

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TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR’S REPORT	3-5
MANAGEMENT’S DISCUSSION AND ANALYSIS	6-15
BASIC FINANCIAL STATEMENTS	16
Statement of Net Position	17
Statement of Activities	18
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities	22
Statement of Revenues and Expenditures – Budgetary Basis – (NON-GAAP) – Budget and Actual – General Fund	23
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds.....	27
Statement of Fiduciary Net Position – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	29
Notes to the Financial Statements	30-67
REQUIRED SUPPLEMENTARY INFORMATION	68
Pension Plan Schedules.....	69-70
Other Post Employment Benefit Plan Schedules	71-75
SUPPLEMENTARY SCHEDULE	76
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	77-80

Independent Auditor's Report

To the Honorable Select Board
Town of Northborough, Massachusetts

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Northborough, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post-employment benefit plan schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Northborough, Massachusetts' basic financial statements. The Supplementary Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024, on our consideration of the Town of Northborough, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Northborough, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Northborough, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 10, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Northborough, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$33,525,671 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$18,250,604, or an increase of \$15,275,067 (84%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$26,116,164, an increase of \$785,805 in comparison with the prior year.
- The General Fund's total fund balance increased \$1,462,923 to \$13,125,300. The ending General fund balance is 18% of revenues and transfers in; and 18% of expenditures and transfers out.
- The total liabilities of the Town decreased by \$8,490,506 (8%) to \$104,359,277 during the fiscal year. This was mainly attributed to an increase in the pension liability of \$6,554,218; and net decreases in the other post-employment benefit (OPEB) liability of \$11,841,205 and in bonds payable of \$2,384,127.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$3,572,920. The key factors that attributed to the free cash amount for fiscal year 2023 were unexpended/unencumbered appropriations of \$1,307,300, excess over budget state and local receipts of \$2,224,800 and prior year free cash not appropriated of \$460,100.
- The Town's enterprise funds certified free cash are as follows:
 - Sewer fund \$ 8,569,046.
 - Water fund \$ 578,184.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources with the net difference between them 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes sewer and water.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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 financial 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 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 decision. 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*.

The Town of Northborough adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial 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 the basic 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2023	2022	Change
Assets:			
Current assets	\$ 42,912,195	\$ 41,649,653	\$ 1,262,542
Capital assets	65,357,239	66,050,227	(692,988)
Total assets	108,269,434	107,699,880	569,554
Deferred Outflows of Resources	8,290,993	6,596,293	1,694,700
Liabilities:			
Current liabilities (excluding debt)	9,848,698	10,018,528	(169,830)
Current debt	4,724,815	4,644,742	80,073
Noncurrent liabilities (excluding debt)	66,935,296	72,450,072	(5,514,776)
Noncurrent debt	11,314,780	12,807,595	(1,492,815)
Total liabilities	92,823,589	99,920,937	(7,097,348)
Deferred Inflows of Resources	9,153,172	12,999,795	(3,846,623)
Net Position:			
Net investment in Capital assets	49,317,644	48,597,890	719,754
Restricted	13,667,529	12,902,286	765,243
Unrestricted	(48,401,507)	(60,124,735)	11,723,228
Total net position	\$ 14,583,666	\$ 1,375,441	\$ 13,208,225

	Business-Type Activities		
	2023	2022	Change
Assets:			
Current assets	\$ 12,444,330	\$ 11,602,892	\$ 841,438
Noncurrent assets (excluding capital assets)	153,474	159,071	(5,597)
Capital assets	17,841,146	18,115,056	(273,910)
Total assets	30,438,950	29,877,019	561,931
Deferred Outflows of Resources	170,022	108,886	61,136
Liabilities:			
Current liabilities (excluding debt)	5,321,699	6,105,108	(783,409)
Current debt	1,834,963	1,972,385	(137,422)
Noncurrent liabilities (excluding debt)	1,357,559	1,140,923	216,636
Noncurrent debt	3,021,467	3,710,430	(688,963)
Total liabilities	11,535,688	12,928,846	(1,393,158)
Deferred Inflows of Resources	131,279	181,896	(50,617)
Net Position:			
Net Investment in Capital Assets	12,984,716	12,432,241	552,475
Restricted	985,546	1,236,057	(250,511)
Unrestricted	4,971,743	3,206,865	1,764,878
Total net position	\$ 18,942,005	\$ 16,875,163	\$ 2,066,842

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2023	2022	Change
Program Revenues:			
Charges for services	\$ 4,223,727	\$ 4,262,299	\$ (38,572)
Operating grants and contributions	13,366,703	13,604,742	(238,039)
Capital grants and contributions	1,611,284	496,841	1,114,443
General Revenues:			
Property taxes	57,846,450	56,207,861	1,638,589
Motor vehicle excise and other taxes	3,217,546	3,045,579	171,967
Penalties and interest on taxes	179,475	184,076	(4,601)
Nonrestricted grants	1,813,782	1,543,349	270,433
Unrestricted investment income	1,007,438	(70,101)	1,077,539
Miscellaneous	29,314	2,569	26,745
Total revenues	83,295,719	79,277,215	4,018,504
Expenses:			
General government	4,102,313	4,251,718	(149,405)
Public safety	6,858,701	6,384,602	474,099
Public works	5,854,918	5,376,561	478,357
Education	46,021,119	45,133,844	887,275
Health and human services	1,522,315	1,506,301	16,014
Culture and recreation	2,248,037	1,884,773	363,264
Employee benefits and insurance	2,853,363	14,159,169	(11,305,806)
State assessments	305,474	281,806	23,668
Interest	351,413	384,587	(33,174)
Total expenses	70,117,653	79,363,361	(9,245,708)
Contributions to permanent funds	11,550	21,700	(10,150)
Transfers	18,609	-	18,609
Change in net position	13,208,225	(64,446)	13,272,671
Net position - beginning of year	1,375,441	1,439,887	(64,446)
Net position - end of year	\$ 14,583,666	\$ 1,375,441	13,208,225

	Business-Type Activities		
	2023	2022	Change
Program Revenues:			
Charges for services	\$ 5,328,357	\$ 5,002,758	\$ 325,599
Operating grants and contributions	299,197	24,958	274,239
Total revenues	5,627,554	5,027,716	599,838
Expenses:			
Sewer	658,459	1,954,491	(1,296,032)
Water	2,883,644	3,083,131	(199,487)
Total expenses	3,542,103	5,037,622	(1,495,519)
Transfers	(18,609)	-	(18,609)
Change in net position	2,066,842	(9,906)	2,076,748
Net position - beginning of year	16,875,163	16,885,069	(9,906)
Net position - end of year	\$ 18,942,005	\$ 16,875,163	\$ 2,066,842

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,525,671 at the close of fiscal year 2023.

Net position of \$62,302,360 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the net position, \$14,653,075, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$43,429,764).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position for the business-type activities.

The governmental activities net position increased by \$13,208,225 (960%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2023 was attributed to increases resulting from the net changes in debt payable of \$1,649,742, in the OPEB liability of \$11,888,055 and in the deferred outflows/(inflows) of resources related to pensions of \$5,226,489; and to the decreases as a result of recognizing the changes in the pension liability of \$6,384,432 as compared to the prior year.

There was an increase of \$2,066,842 (12%) in net position reported in connection with the sewer and water business-type activities. Of this, there was an increase of \$1,934,589 attributed to the sewer department and of \$132,253 attributed to the water department.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting 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, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$26,116,164, an increase of \$785,805 (3%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$843,016 (3%).
- Restricted fund balance – \$8,944,980 (34%).
- Committed fund balance – \$3,529,237 (14%).
- Assigned fund balance – \$1,763,188 (7%).
- Unassigned fund balance – \$11,035,743 (42%).

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the fiscal year, the General Fund reported a total fund balance of \$13,125,300, increasing \$1,462,923 (13%) from the prior year. Of the \$13,125,300, the unassigned amount is \$11,265,813 (86%), the assigned amount is \$1,763,188 (13%) and the restricted amount is \$96,299 (1%). General Fund revenues were \$3,473,689 (5%) more than the prior fiscal year and expenditures also increased by \$2,028,413 (3%). Other activity in the General Fund consisted of net transfers to other funds of \$615,454.

The main components of the increases in general fund revenues as compared to the prior year related to an increase in property taxes in the amount of \$1,471,663 (3%), in investment income of \$1,077,539 (1537%) and in intergovernmental "on-behalf" payments of \$498,465 (13%).

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in Public safety expenditures of \$181,832 (3%).
- Increase in Public works expenditures of \$310,543 (1%).
- Increase in Education expenditures of \$651,126 (2%).
- Increase in Employee benefits and insurance expenditures of \$870,287 (7%).

The *Fire Station Design and Land Fund* is used to account for the purchase of land for a new public safety facility. The fund has a deficit balance of \$203,404 at the end of the fiscal year and shows a decrease of \$1,564,176 (115%) attributed to the expenditures. The Town has issued a bond anticipation note of \$2,100,000 which is not reflected in the Fund Balance.

The *American Rescue Plan Act (ARPA) Fund* is a United States Federal Government established funding source to assist in the fighting of the coronavirus. The activity in the Grant were receipts of \$94,490 matching the expenses. The Town has an accumulated unearned revenue of \$4,338,208 which will be used at a later date.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The *Sewer Fund* has accumulated a fund balance of \$11,065,416 used in the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$1,943,589 (21%) in total operations. This change was mainly attributed to operating revenues exceeding operating expenses by \$1,964,066, interest income of \$271,819, interest expense of \$80,393 and net transfers out to other funds of \$220,903. Operating revenues increased by \$85,240 (3%) while operating expenses decreased by \$1,290,310 (69%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$7,876,589 used in the financing and operations of the Town's water system. The water fund shows an increase of \$132,253 (2%) in total operations. This change resulted from operating expenses exceeding operating revenues by \$61,423, interest income of \$27,378, interest expense of \$35,996 and net transfers in from other funds of \$202,294. Operating revenues increased by \$240,359 (9%) while operating expenses decreased by \$200,830 (6%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2023 was \$69,024,555. This was an increase of \$1,646,563 (2%) over the previous year's budget.

There was a decrease of \$145,039 between the original budget and the total final amended budget. The change is attributed to votes made at the annual town meeting of April 2023 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,088,401. Of the \$2,088,401 in under budget expenditures, \$781,065 has been carried over to fiscal year 2024.

There are negative variances in property taxes of \$310,705 and in interest and penalties on taxes of \$2,500 as the expectation (budget) was higher than the actual receipts.

There is a negative variance in state assessments of \$19,856 due to lower assessments in School choice tuitions of \$3,367, in Charter School tuitions of \$16,368 and in special education of \$1,021; and higher assessments in the registry of motor vehicle non-renewal surcharge of \$900 than the actual payments.

Overall, the variance with the final budget was a positive \$3,221,468 consisting of a revenue surplus of \$1,914,132 and an appropriation surplus of \$1,307,336.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$65,357,239 and \$17,841,146, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Land purchases for \$1,491,125.
- Town Buildings' energy improvements for \$63,146.
- Police vehicle and equipment purchases for \$111,096.
- Fire Station improvements for \$175,266.
- Fire Department vehicle and equipment purchases for \$51,969.
- Highway vehicle and equipment purchases for \$615,112.
- Highway infrastructure improvements for \$1,637,644.

- Proctor building improvements for \$29,843.
- School equipment purchase for \$5,300.
- Senior Center improvements for \$87,650.

Major capital acquisitions during the current fiscal year in the business-type funds included the following:

In the Sewer Fund:

- Sewer equipment purchases for \$57,106.
- Sewer infrastructure improvements for \$416,515.

In the Water Fund:

- Water infrastructure improvements for \$41,575.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2023, totaled \$12,347,400, of which \$8,903,200 is for various school building renovations, \$2,629,100 is for various building improvements, \$400,000 is for infrastructure improvements and \$415,100 is for environmental remediation projects.

The governmental activities currently have \$3,232,000 in bond anticipation notes outstanding (\$2,832,000 for various land acquisitions and \$400,000 for an ambulance).

The business-type funds outstanding long-term debt totaling \$3,442,021 consisting of \$2,026,200 in sewer debt and \$1,415,821 which relates to water projects that are fully supported by the rates.

The Town also has \$1,146,000 in business-type temporary debt for various sewer and water projects.

Please refer to notes 3E, 3G and 3H for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Northborough operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2023 do not reflect the fiscal year 2024 Town Meeting action except for the fund balance free cash amount used to fund the 2024 budget.

The Annual Town Meeting on April 24, 2023 authorized a fiscal year 2024 operating and capital budget as follows:

From the tax levy		\$	67,340,810
From sewer receipts			2,508,481
From solid waste receipts	\$	530,000	
From solid waste retained earnings		<u>165,524</u>	695,524
From water receipts		2,550,000	
From water retained earnings		<u>222,795</u>	2,772,795
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash			982,123
Non-major Governmental Funds:			
Animal Control Revolving		28,000	
Cable Access Television		301,085	
Cemetery trust funds		13,500	
Community preservation funds		1,026,060	
Conservation commission funds		2,478	
Fire emergency medical funds		384,016	
Premium on sale of bonds		500	
Recreation revolving		159,969	
Transportation network surcharges		<u>2,278</u>	1,917,886
			<u>\$ 76,217,619</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Northborough’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 the Finance Director, 63 Main Street, Northborough, Massachusetts 01532.

BASIC FINANCIAL STATEMENTS

TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 27,203,949	\$ 10,774,126	\$ 37,978,075
Investments	10,860,653	-	10,860,653
Receivables, net of allowance for uncollectibles:			
Property Taxes	546,475	-	546,475
Tax Liens	630,653	-	630,653
Excise Taxes	252,793	-	252,793
User Charges	-	1,629,797	1,629,797
Departmental	382,764	-	382,764
Special Assessments	-	40,407	40,407
Due from Other Governments	1,285,899	-	1,285,899
Leases	1,660,698	-	1,660,698
Inventory	88,311	-	88,311
Total current assets	<u>42,912,195</u>	<u>12,444,330</u>	<u>55,356,525</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	153,474	153,474
Capital Assets, net of accumulated Depreciation			
Nondepreciable	9,924,682	3,452,555	13,377,237
Depreciable	55,432,557	14,388,591	69,821,148
Total noncurrent assets	<u>65,357,239</u>	<u>17,994,620</u>	<u>83,351,859</u>
Total Assets	<u>108,269,434</u>	<u>30,438,950</u>	<u>138,708,384</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	4,633,835	111,100	4,744,935
Deferred Outflows Related to OPEB	3,657,158	58,922	3,716,080
Total Deferred Outflows of Resources	<u>8,290,993</u>	<u>170,022</u>	<u>8,461,015</u>
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	1,615,802	184,722	1,800,524
Accrued Payroll	2,998,890	19,194	3,018,084
Payroll Withholdings	296,464	-	296,464
Accrued Interest	118,893	32,691	151,584
Other	218,837	-	218,837
Unearned Revenue	4,338,208	-	4,338,208
Compensated Absences	261,604	12,803	274,407
Due to Other Governments	-	5,072,289	5,072,289
Bond Anticipation Notes Payable	3,232,000	1,146,000	4,378,000
Bonds Payable	1,492,815	688,963	2,181,778
Total current liabilities	<u>14,573,513</u>	<u>7,156,662</u>	<u>21,730,175</u>
NONCURRENT:			
Compensated Absences	189,921	9,000	198,921
Net OPEB Liability	32,007,355	515,687	32,523,042
Net Pension Liability	34,738,020	832,872	35,570,892
Bonds Payable	11,314,780	3,021,467	14,336,247
Total noncurrent liabilities	<u>78,250,076</u>	<u>4,379,026</u>	<u>82,629,102</u>
Total Liabilities	<u>92,823,589</u>	<u>11,535,688</u>	<u>104,359,277</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Paid in Advance	20,935	-	20,935
Deferred Inflows Related to Leases	1,660,698	-	1,660,698
Deferred Inflows Related to Pensions	1,386,189	33,235	1,419,424
Deferred Inflows Related to OPEB	6,085,350	98,044	6,183,394
Total Deferred Inflows of Resources	<u>9,153,172</u>	<u>131,279</u>	<u>9,284,451</u>
NET POSITION			
Net Investment in Capital Assets	49,317,644	12,984,716	62,302,360
Restricted for:			
Capital Projects	3,237,851	985,546	4,223,397
Federal & State Grants	2,967,830	-	2,967,830
Community Preservation	3,156,849	-	3,156,849
Permanent Funds:			
Expendable	254,823	-	254,823
Nonexpendable	754,705	-	754,705
Other Purposes	3,295,471	-	3,295,471
Unrestricted	(48,401,507)	4,971,743	(43,429,764)
Total Net Position	<u>\$ 14,583,666</u>	<u>\$ 18,942,005</u>	<u>\$ 33,525,671</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 4,102,313	\$ 593,929	\$ 654,667	\$ -	\$ (2,853,717)	\$ -	\$ (2,853,717)
Public Safety	6,858,701	1,917,793	238,469	-	(4,702,439)	-	(4,702,439)
Public Works	5,854,918	611,304	113,830	1,611,284	(3,518,500)	-	(3,518,500)
Education	46,021,119	190,414	7,040,208	-	(38,790,497)	-	(38,790,497)
Health and Human Services	1,522,315	241,975	678,251	-	(602,089)	-	(602,089)
Culture and Recreation	2,248,037	668,312	219,181	-	(1,360,544)	-	(1,360,544)
Employee Benefits and Insurance	2,853,363	-	4,422,097	-	1,568,734	-	1,568,734
State Assessments	305,474	-	-	-	(305,474)	-	(305,474)
Interest	351,413	-	-	-	(351,413)	-	(351,413)
Total Governmental Activities	70,117,653	4,223,727	13,366,703	1,611,284	(50,915,939)	-	(50,915,939)
Business-Type Activities:							
Sewer	658,459	2,542,132	271,819	-	-	2,155,492	2,155,492
Water	2,883,644	2,786,225	27,378	-	-	(70,041)	(70,041)
Total Primary Government	\$ 73,659,756	\$ 9,552,084	\$ 13,665,900	\$ 1,611,284	(50,915,939)	2,085,451	(48,830,488)
General Revenues:							
Property Taxes					57,846,450	-	57,846,450
Motor vehicle and other taxes					3,217,546	-	3,217,546
Penalties & Interest on taxes					179,475	-	179,475
Grants & Contributions not restricted to specific programs					1,813,782	-	1,813,782
Unrestricted Investment Income					1,007,438	-	1,007,438
Miscellaneous					29,314	-	29,314
Contributions to Permanent Funds					11,550	-	11,550
Transfers, net					18,609	(18,609)	-
Total General Revenues, Contributions and Transfers					64,124,164	(18,609)	64,105,555
Change in Net Position					13,208,225	2,066,842	15,275,067
Net Position:							
Beginning of year					1,375,441	16,875,163	18,250,604
End of year					\$ 14,583,666	\$ 18,942,005	\$ 33,525,671

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Fire Station Design and Land Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 11,650,983	\$ 1,896,596	\$ 4,352,399	\$ 9,303,971	\$ 27,203,949
Investments	5,526,871	-	-	5,333,782	10,860,653
Receivables, net of allowance for uncollectibles:					
Property Taxes	540,610	-	-	5,865	546,475
Tax Liens	624,946	-	-	5,707	630,653
Excise Taxes	252,793	-	-	-	252,793
Departmental	78,905	-	-	303,859	382,764
Due from Other Governments	141,789	-	-	1,144,110	1,285,899
Leases	1,660,698	-	-	-	1,660,698
Inventory	-	-	-	88,311	88,311
Total Assets	\$ 20,477,595	\$ 1,896,596	\$ 4,352,399	\$ 16,185,605	\$ 42,912,195
Liabilities:					
Warrants and Accounts Payable	\$ 1,172,304	\$ -	\$ 14,191	\$ 429,307	\$ 1,615,802
Accrued Payroll	2,915,809	-	-	83,081	2,998,890
Payroll Withholdings	296,464	-	-	-	296,464
Other	1,569	-	-	217,268	218,837
Unearned Grant Revenue	-	-	4,338,208	-	4,338,208
Bond Anticipation Notes Payable	-	2,100,000	-	1,132,000	3,232,000
Total Liabilities	4,386,146	2,100,000	4,352,399	1,861,656	12,700,201
Deferred Inflows of Resources:					
Taxes Paid in Advance	20,935	-	-	-	20,935
Related to Leases	1,660,698	-	-	-	1,660,698
Unavailable Revenue	1,284,516	-	-	1,129,681	2,414,197
Total Deferred Inflows of Resources:	2,966,149	-	-	1,129,681	4,095,830
Fund Balance:					
Non-Spendable	-	-	-	843,016	843,016
Restricted	96,299	-	-	8,848,681	8,944,980
Committed	-	-	-	3,529,237	3,529,237
Assigned	1,763,188	-	-	-	1,763,188
Unassigned	11,265,813	(203,404)	-	(26,666)	11,035,743
Total Fund Balance	13,125,300	(203,404)	-	13,194,268	26,116,164
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 20,477,595	\$ 1,896,596	\$ 4,352,399	\$ 16,185,605	\$ 42,912,195

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Fire Station Design and Land Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 57,049,199	\$ -	\$ -	\$ 713,866	\$ 57,763,065
Intergovernmental	6,057,138	-	94,490	4,670,105	10,821,733
Excise and Other Taxes	3,197,807	-	-	-	3,197,807
Charges for Services	-	-	-	3,212,794	3,212,794
Licenses, Permits, Fees	1,524,449	-	-	-	1,524,449
Interest and Penalties on Taxes	178,500	-	-	975	179,475
Investment Income	1,007,438	-	-	153,698	1,161,136
Gifts and Donations	-	-	-	113,498	113,498
Other	-	-	-	296,028	296,028
Intergovernmental - "On-behalf" Payments	4,422,097	-	-	-	4,422,097
Total Revenues	73,436,628	-	94,490	9,160,964	82,692,082
Expenditures:					
Current:					
General Government	3,509,138	-	94,490	424,359	4,027,987
Public Safety	5,482,506	1,564,176	-	1,217,492	8,264,174
Public Works	3,139,181	-	-	2,902,907	6,042,088
Education	41,374,904	-	-	2,854,250	44,229,154
Health and Human Services	740,986	-	-	666,754	1,407,740
Culture and Recreation	1,220,842	-	-	757,203	1,978,045
Employee Benefits and Insurance	13,658,093	-	-	-	13,658,093
State Assessments	305,474	-	-	-	305,474
Debt Service:					
Principal	1,377,200	-	-	263,000	1,640,200
Interest	549,927	-	-	46,165	596,092
Total Expenditures	71,358,251	1,564,176	94,490	9,132,130	82,149,047
Excess of Revenues Over (Under) Expenditures	2,078,377	(1,564,176)	-	28,834	543,035
Other Financing Sources (Uses):					
Operating Transfers In	826,706	-	-	1,459,204	2,285,910
Operating Transfers Out	(1,442,160)	-	-	(825,141)	(2,267,301)
Bond Premium	-	-	-	61,161	61,161
Proceeds from Issuance of Bonds and Notes	-	-	-	163,000	163,000
Total Other Financing Sources (Uses)	(615,454)	-	-	858,224	242,770
Net Change in Fund Balances	1,462,923	(1,564,176)	-	887,058	785,805
Fund Balances, Beginning of Year	11,662,377	1,360,772	-	12,307,210	25,330,359
Fund Balances, End of Year	\$ 13,125,300	\$ (203,404)	\$ -	\$ 13,194,268	\$ 26,116,164

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2023

Total Governmental Fund Balances		\$	26,116,164
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			65,357,239
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			2,414,197
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.			819,454
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(12,807,595)	
Net Other Post Employment Benefits Liability		(32,007,355)	
Net Pension Liability		(34,738,020)	
Compensated Absences		<u>(451,525)</u>	(80,004,495)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(118,893)</u>
Net Position of Governmental Activities		\$	<u><u>14,583,666</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, 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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 785,805

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 4,216,291	
Depreciation	<u>(4,909,279)</u>	(692,988)

Revenue 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.

615,187

The issuance of long-term debt (e.g., bonds and leases) 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:

Repayment of Debt Principal	1,640,200	
Net Amortization of Premium from Issuance of Bonds	233,703	
Premium from the Issuance of Bonds and Notes	(61,161)	
Proceeds from Issuance of Bonds and Notes	<u>(163,000)</u>	1,649,742

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 governmental funds:

Net Change in Compensated Absences	34,773	
Net Change in Net Other Post Employment Benefits Liability	11,888,055	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	74,618	
Net Change in Net Pension Liability	(6,384,432)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	5,226,489	
Net Change in Accrued Interest on Long-Term Debt	<u>10,976</u>	<u>10,850,479</u>

Change in Net Position of Governmental Activities \$ 13,208,225

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 57,440,373	\$ 57,358,904	\$ 57,048,199	\$ -	\$ (310,705)
Intergovernmental	-	5,726,953	5,726,953	6,057,138	-	330,185
Excise and Other Taxes	-	2,921,000	2,921,000	3,197,807	-	276,807
Licenses, Permits, Fees	-	778,000	778,000	1,524,449	-	746,449
Interest and Penalties on Taxes	-	181,000	181,000	178,500	-	(2,500)
Interest on Investments	-	20,000	20,000	893,896	-	873,896
Total Revenues	-	67,067,326	66,985,857	68,899,989	-	1,914,132
Expenditures:						
Current:						
General Government	146,449	3,950,409	3,690,596	3,509,138	107,378	74,080
Public Safety	124,204	5,535,131	5,742,407	5,482,506	162,349	97,552
Public Works	390,519	2,830,288	3,397,260	3,139,181	194,706	63,373
Education	158,898	41,584,862	41,693,656	41,374,904	262,309	56,443
Health and Human Services	9,065	801,325	832,449	740,986	761	90,702
Culture and Recreation	14,079	1,203,825	1,247,647	1,220,842	19,908	6,897
Employee Benefits and Insurance	39,475	10,157,594	10,197,069	9,235,996	33,654	927,419
State Assessments	-	285,618	285,618	305,474	-	(19,856)
Debt Service:						
Principal	-	1,377,200	1,377,200	1,377,200	-	-
Interest	-	560,653	560,653	549,927	-	10,726
Total Expenditures	882,689	68,286,905	69,024,555	66,936,154	781,065	1,307,336
Excess of Revenues Over (Under) Expenditures	(882,689)	(1,219,579)	(2,038,698)	1,963,835	(781,065)	3,221,468
Other Financing Sources (Uses):						
Operating Transfers In	-	871,189	807,619	826,706	-	19,087
Operating Transfers Out	-	(537,160)	(1,642,160)	(1,642,160)	-	-
Total Other Financing Sources (Uses)	-	334,029	(834,541)	(815,454)	-	19,087
Net Change in Budgetary Fund Balance	(882,689)	(885,550)	(2,873,239)	\$ 1,148,381	\$ (781,065)	\$ 3,240,555
Other Budgetary Items:						
Free Cash and Other Reserves	-	885,550	1,990,550			
Prior Year Encumbrances	882,689	-	882,689			
Total Other Budgetary Items	882,689	885,550	2,873,239			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2023

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 68,899,989	\$ 66,936,154
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	113,542	-
Recognition of Intergovernmental Revenue - "on behalf payments"	4,422,097	-
Recognition of Expenditures - "on behalf payments"	-	4,422,097
Net Increase in Revenue from Recording 60-Day Receipts	1,000	-
Reported on a GAAP Basis	\$ 73,436,628	\$ 71,358,251

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 9,403,334	\$ 1,370,792	\$ 10,774,126
User Charges, net of allowance for uncollectibles	777,657	852,140	1,629,797
Special Assessments	37,973	2,434	40,407
Total current assets	10,218,964	2,225,366	12,444,330
NONCURRENT:			
Special Assessments	143,464	10,010	153,474
Capital Assets, net of accumulated depreciation:			
Nondepreciable	3,295,514	157,041	3,452,555
Depreciable	5,810,721	8,577,870	14,388,591
Total noncurrent assets	9,249,699	8,744,921	17,994,620
Total Assets	19,468,663	10,970,287	30,438,950
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	44,440	66,660	111,100
Deferred Outflows Related to OPEB	23,569	35,353	58,922
Total Deferred Outflows of Resources	68,009	102,013	170,022
LIABILITIES			
CURRENT:			
Accounts Payable	163,631	21,091	184,722
Accrued Payroll	7,678	11,516	19,194
Accrued Interest	18,325	14,366	32,691
Compensated Absences	5,121	7,682	12,803
Due to Other Governments	5,072,289	-	5,072,289
Bond Anticipation Notes Payable	450,000	696,000	1,146,000
Bonds Payable	377,693	311,270	688,963
Total current liabilities	6,094,737	1,061,925	7,156,662
NONCURRENT:			
Compensated Absences	3,600	5,400	9,000
Net OPEB Liability	206,275	309,412	515,687
Net Pension Liability	333,146	499,726	832,872
Bonds Payable	1,780,986	1,240,481	3,021,467
Total noncurrent liabilities	2,324,007	2,055,019	4,379,026
Total Liabilities	8,418,744	3,116,944	11,535,688
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	13,294	19,941	33,235
Deferred Inflows Related to OPEB	39,218	58,826	98,044
Total Deferred Inflows of Resources	52,512	78,767	131,279
NET POSITION			
Net Investment in Capital Assets	6,497,556	6,487,160	12,984,716
Restricted for Capital	457,340	528,206	985,546
Unrestricted	4,110,520	861,223	4,971,743
Total Net Position	\$ 11,065,416	\$ 7,876,589	\$ 18,942,005

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues:			
Charges for Services	\$ 2,480,963	\$ 2,751,960	\$ 5,232,923
Special Assessments	61,169	34,265	95,434
Total Operating Revenues	2,542,132	2,786,225	5,328,357
Operating Expenses:			
Salaries & Wages	214,191	383,091	597,282
Operating Expenses	114,179	1,925,147	2,039,326
Depreciation	249,696	539,410	789,106
Total Operating Expenses	578,066	2,847,648	3,425,714
Operating Income (Loss)	1,964,066	(61,423)	1,902,643
Non-Operating Revenues (Expenses):			
Investment Income	271,819	27,378	299,197
Interest Expense	(80,393)	(35,996)	(116,389)
Total Non-Operating Revenues (Expenses)	191,426	(8,618)	182,808
Income (Loss) Before Operating Transfers	2,155,492	(70,041)	2,085,451
Operating Transfers:			
Transfer In	25,000	227,294	252,294
Transfers (Out)	(245,903)	(25,000)	(270,903)
Total Operating Transfers	(220,903)	202,294	(18,609)
Change in Net Position	1,934,589	132,253	2,066,842
Net Position at Beginning of Year	9,130,827	7,744,336	16,875,163
Net Position at End of Year	\$ 11,065,416	\$ 7,876,589	\$ 18,942,005

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 2,589,622	\$ 2,676,752	\$ 5,266,374
Payments to Vendors	(813,272)	(1,858,551)	(2,671,823)
Payments to Employees	(212,922)	(381,188)	(594,110)
Net Cash Provided by (Used for) Operating Activities	1,563,428	437,013	2,000,441
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(220,903)	202,294	(18,609)
Net Cash Provided by (Used for) Noncapital Financing Activities	(220,903)	202,294	(18,609)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(518,621)	(41,575)	(560,196)
Principal Payments on Bonds and Notes	(409,700)	(333,705)	(743,405)
Interest Expense	(120,734)	(82,836)	(203,570)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,049,055)	(458,116)	(1,507,171)
Cash Flows from Investing Activities:			
Investment Income	271,819	27,378	299,197
Net Cash Provided by (Used for) Investing Activities	271,819	27,378	299,197
Net Increase (Decrease) in Cash and Cash Equivalents	565,289	208,569	773,858
Cash and Cash Equivalents at Beginning of Year	\$8,838,045	\$1,162,223	\$10,000,268
Cash and Cash Equivalents at End of Year	\$ 9,403,334	\$ 1,370,792	\$ 10,774,126

**Reconciliation of Operating Income (Loss) to Net Cash Provided
by (Used For) Operating Activities:**

Operating Income (Loss)	\$ 1,964,066	\$ (61,423)	\$ 1,902,643
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	249,696	539,410	789,106
Deferred (Outflows)/Inflows of Resources Related to Pensions	(49,657)	(74,486)	(124,143)
Deferred (Outflows)/Inflows of Resources Related to OPEB	4,956	7,434	12,390
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	105,687	3,666	109,353
Increase (Decrease) in Accrued Payroll	970	1,454	2,424
Increase (Decrease) in Compensated Absences	299	449	748
Increase (Decrease) in Due to Other Governments	(846,733)	-	(846,733)
Increase (Decrease) in Net OPEB Liability	18,740	28,110	46,850
Increase (Decrease) in Net Pension Liability	67,914	101,872	169,786
Decrease (Increase) in User Charges Receivable	47,490	(109,473)	(61,983)
Total Adjustments	(400,638)	498,436	97,798
Net Cash Provided by (Used for) Operating Activities	\$ 1,563,428	\$ 437,013	\$ 2,000,441

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
ASSETS:		
Investments	\$ 5,224,838	\$ 184,363
Total Assets	5,224,838	184,363
 NET POSITION:		
Restricted for Other Postemployment Benefits	5,224,838	-
Held in Trust for Other Purposes	-	184,363
Total Net Position	\$ 5,224,838	\$ 184,363

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 1,996,504	\$ -
Investment Income	273,235	4,404
Total Additions	2,269,739	4,404
Deductions:		
Insurance and Employee Benefits	1,696,504	-
Total Deductions	1,696,504	-
Change in Net Position	573,235	4,404
Net Position at Beginning of Year	4,651,603	179,959
Net Position at End of Year	\$ 5,224,838	\$ 184,363

The Notes to the Financial Statements are an integral part of this Statement

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Northborough, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1766 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Select Board.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2023, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Northborough Housing Authority, the Assabet Valley Regional Vocational Technical School District, and the Northborough-Southborough Regional School District. The Town is indirectly liable for debt and other expenditures of the School Districts and is assessed annually for its share of operating and capital costs. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Northborough Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Assabet Valley Regional Vocational Technical School District – A regional school district made up of seven communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Northborough-Southborough Regional School District – A regional school district made up of two communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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

Fund financial statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized 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. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, 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 thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

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

The *fire station design and land fund* is used to account for the purchase of land for a new public safety facility.

The *american rescue plan act (ARPA) grant* is a United States Federal Government established funding source to assist in the fighting of the coronavirus.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

The *water fund* is used to account for the water activities.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds'* column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool 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 cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Tax Liens and Taxes in Litigation

Property taxes are based on assessments as of January 1, 2022 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

The Town mailed preliminary tax bills for the fiscal year 2023 on June 21, 2022, that were due on August 1, 2022 and November 1, 2022 and actual bills on December 31, 2022 and March 23, 2023, that were due on February 1, 2023 and May 1, 2023.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2023 is as follows;

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2023	\$ 60,232,198
Add: Debt Exclusion	2,065,769
Maximum Allowable Levy	\$ 62,297,967

The total amount raised by taxation was \$57,507,128.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is based on historical trends and specific account analysis.

User Charges

User charges in the governmental funds consist of prior fiscal year sewer that is based on individual meter readings and is subject to penalties and interest if not paid by the respective due date. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

User charges and fees in the business-type funds consist of sewer and water that is levied quarterly based on individual meter readings and is subject to penalties and interest if not paid by the respective due date. Sewer and water liens are processed each year and are included as a lien on the property owner's tax bill. Sewer and water charges and liens are recorded as receivables in the fiscal year of the levy.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Departmental

Departmental receivables consist of sale of bags, licenses, police off-duty details and ambulance fees.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

Special Assessments

Special assessments consist of the sewer and water betterments.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Lease Receivable

Lease receivable consists of cell tower facilities in the governmental activities. The lease receivable is measured at the present value of lease payments expected to be received during the lease term.

This receivable is considered 100% collectible and, therefore, does not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Land improvements	20-30
Buildings	40
Buildings improvements	7-20
Machinery, equipment and other	3-10
Infrastructure	30-100

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers net”.

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are *taxes paid in advance, deferred inflows related to leases, deferred inflows related to pensions and deferred inflows related to OPEB*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Town has only three types of items, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the items, *taxes paid in advance, related to leases, and unavailable revenue*, are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town’s property, excise and other taxes; departmental revenue, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See note 3 D for explanation on taxes paid in advance and 3 C for related to leases.

J. Net position and Fund Balances

In the Government-Wide financial statements, the difference between the Town’s total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been “restricted for” the following:

“Capital projects” represents amounts restricted for capital purposes.

“Federal and state grants” represents amounts restricted by the federal and state government for various programs.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

“Community preservation fund” represents amounts that are restricted for the preservation of open space, historical resources and community housing.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Other purposes” represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town’s policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

L. Investment Income

Investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

M. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

N. Pension Benefits

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 Worcester Regional Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

O. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 70% – 75% share of insurance premiums in the general fund in the fiscal year paid.

P. Use of Estimates

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

Q. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- The budgets for all departments are prepared by the department heads and submitted to the Town Manager who presents the budget to the Town's finance committee for review.
- The finance committee, in turn, presents the omnibus budget for voter approval at the Annual Town Meeting of each fiscal year.
- The Town Manager can also present an alternative budget at the Town Meeting if there is not a finance committee consensus.
- The budget is legally enacted by vote of Town meeting members at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2023, the Town incurred a final budget deficit of \$2,873,239 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 1,980,000
Reserved for debt	10,550
Prior year's encumbrances	882,689
	<hr/>
	\$ 2,873,239
	<hr/> <hr/>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

B. Deficit Fund Balances

The following funds have deficits at June 30, 2023 as measured by the balance of unreserved fund balance.

- The Fire station design and land fund, a capital project and major fund, has a deficit of \$203,404. The Town has a bond anticipation note of \$2.1 million. The deficit will be eliminated upon the issuance of permanent debt.
- The ambulance capital project fund has a deficit of \$4,350. The Town has a bond anticipation note of \$400,000. The deficit will be eliminated upon the issuance of permanent debt.
- The Emergency management (Covid-19) grant special revenue funds have deficits totaling of \$22,316. These deficits will be eliminated upon additional receipts or appropriation.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2023 were \$8,583,896. Of these, \$3,661,209 are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

Pension Reserves Investment Trust (PRIT) Fund is a pooled investment fund created under the supervision of the Pension Reserves Investment Management (PRIM) Board. The PRIT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. PRIT's fair value is measured at amortized cost.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

As of June 30, 2023, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 3,659,930	\$ 655,116	\$ 3,004,814
U. S. government agencies	670,108	-	670,108
Corporate bonds	4,783,545	1,367,008	3,416,537
	<u>9,113,583</u>	<u>\$ 2,022,124</u>	<u>\$ 7,091,459</u>
Other Investments:			
Equity mutual funds	91,339		
Equity securities - domestic (stocks)	1,338,648		
Money Market Mutual funds	501,446		
PRIM/PRIT	5,224,838		
	<u>\$ 16,269,854</u>		

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$16,269,854 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Credit Risk

The Town's exposure to credit risk as of June 30, 2023 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 3,659,930
<i>U. S. Government Agencies:</i>	
Aaa	670,108
<i>Corporate Bonds:</i>	
Aaa	458,960
A1	685,137
A2	1,114,934
Baa1	778,991
Baa2	1,745,523
	\$ 9,113,583

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. The Town does not have more than 5 percent of the Town's investments in one issuer.

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

The Town has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 3,659,930	\$ 3,659,930	\$ -	\$ -
U. S. government agencies	670,108	670,108	-	-
Equity mutual funds	91,339	91,339	-	-
Equity securities - domestic	1,338,648	1,338,648	-	-
Money market mutual fund	501,446	501,446	-	-
Corporate bonds	4,783,545	-	4,783,545	-
	11,045,016	\$ 6,261,471	\$ 4,783,545	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (PRIM/PRIT)	5,224,838			
Total Investments	\$ 16,269,854			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2023, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 552,241	\$ (5,766)	\$ 546,475
Tax liens	630,653	-	630,653
Excise taxes	320,182	(67,389)	252,793
Departmental	524,985	(142,221)	382,764
Due from other governments	1,285,899	-	1,285,899
Leases	1,660,698	-	1,660,698
	\$ 4,974,658	\$ (215,376)	\$ 4,759,282

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

At June 30, 2023, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 151,265	\$ (1,000)	\$ 150,265
Sewer unbilled	621,953	-	621,953
Sewer tax liens	5,439	-	5,439
Special assessments	181,437	-	181,437
Water Fund:			
Water user charges	183,588	(1,000)	182,588
Water unbilled	663,492	-	663,492
Water tax liens	6,060	-	6,060
Special assessments	12,444	-	12,444
	<u>\$ 1,825,678</u>	<u>\$ (2,000)</u>	<u>\$ 1,823,678</u>

The composition of amounts due from other governments as of June 30, 2023 for governmental funds and the business-type activities are as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits \$ 30,093

Department of Revenue:

Veterans, blind and surviving spouses 58,801

Executive Office of Health and Human Services:

Medicaid payments 19,248

Massachusetts Department of Transportation:

Civil motor vehicle infractions (CMVI) 6,375

Other:

Due from various municipalities 27,272 \$ 141,789

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 66,614

U. S. Department of Education:

School title grants 41,819

U. S. Department of Homeland Security:

Pass Through Commonwealth of Massachusetts:

Federal Emergency Management Agency 42,867

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School Lunch 47,200

Department of Fire Services:

Fire equipment grant 19,000

Department of Public Health 75,000

Department of Revenue 49,600

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 802,010 1,144,110

\$ 1,285,899

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

C. Lease Receivable

Governmental Funds

The Town’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. Revenue is recognized when earned.

On January 14, 2011, the Town entered into a 20-year property lease with the U.S. Wireless, Inc., to lease real property within the Town of Northborough located at 211 Main Street for the purpose of constructing, installing and operating a telecommunications facility (wireless communications facility). The Commencement Date of the property lease was the date the lessee signed the agreement. The fixed payment will be equal to \$24,250 per annum paid in twelve equal monthly installments with 3.0% increases every year of the lease term plus 10% of the gross co-location collected rent received by the lessee for the use of the facility by third-party telecommunication providers. The lease receivable is measured at the present value of the future minimum payments expected to be received during the lease term at a discount rate of 3.5%.

On November 1, 2021, the Town entered into a 20-year property lease with the CCATT, LLC, to lease real property within the Town of Northborough located at 119 Bearfoot Road for the purpose of constructing, installing and operating a telecommunications facility (wireless communications facility). The Commencement Date of the property lease was the date the lessee signed the agreement. The fixed payment will be equal to \$60,000 per annum paid in twelve equal monthly installments with 5.0% increases every year of the lease term plus 40% of the gross rent received by the lessee (“Sublease Rent”) for the use of the facility by third-party telecommunication providers. The property lease has provisions for additional option periods to renew the lease for two extension terms of five years each. The lease receivable is measured at the present value of the future minimum payments expected to be received during the lease term at a discount rate of 3.5%.

In Fiscal year 2023, the Town recognized \$44,175 of lease revenue and \$50,892 of interest revenue under the lease which is included in Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

The future minimum lease receivables are as follows:

Year	Principal	Interest	Total
2024	\$ 49,634	\$ 49,516	\$ 99,150
2025	55,442	47,974	103,416
2026	61,621	46,253	107,874
2027	68,192	44,343	112,535
2028	75,174	42,231	117,405
2029-2033	406,472	172,815	579,287
2034-2038	471,697	122,056	593,753
2039-2042	472,466	14,021	486,487
	<u>\$ 1,660,698</u>	<u>\$ 539,209</u>	<u>\$ 2,199,907</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

D. Deferred Inflows of Resources

Taxes Paid in Advance

Governmental funds report deferred inflows of resources in connection with tax revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, these revenues are deferred inflows of resources reported in the governmental funds and are as follows:

General Fund:	
Real Estate taxes	\$ 20,677
Property taxes	258
	<u>\$ 20,935</u>

Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds are as follows:

General Fund:	
Property taxes	\$ 271,407
Deferred property taxes	15,203
Tax liens	624,946
Excise taxes	252,793
Departmental	78,905
Due from other governments	41,262
Lease	1,660,698
	<u>\$ 2,945,214</u>
Nonmajor Governmental Funds:	
Property taxes	5,865
Tax liens	5,707
Departmental	284,394
Due from other governments	833,715
	<u>1,129,681</u>
	<u>\$ 4,074,895</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

E. Capital Assets

Capital asset activity for the year ended June 30, 2023, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,175,633	\$ 1,491,125	\$ -	\$ 9,666,758
Construction in Progress	197,035	112,749	(51,860)	257,924
Total capital assets not being depreciated	8,372,668	1,603,874	(51,860)	9,924,682
Capital assets being depreciated:				
Buildings and Renovations	70,019,845	248,456	-	70,268,301
Machinery, equipment and other	23,115,944	778,177	(240,302)	23,653,819
Infrastructure	41,924,104	1,637,644	-	43,561,748
Total capital assets being depreciated	135,059,893	2,664,277	(240,302)	137,483,868
Less accumulated depreciation for:				
Buildings and Renovations	31,517,222	2,342,059	-	33,859,281
Machinery, equipment and other	17,587,923	989,906	(240,302)	18,337,527
Infrastructure	28,277,189	1,577,314	-	29,854,503
Total accumulated depreciation	77,382,334	4,909,279	(240,302)	82,051,311
Total capital assets being depreciated, net	57,677,559	(2,245,002)	-	55,432,557
Total governmental activities capital assets, net	\$ 66,050,227	\$ (641,128)	\$ (51,860)	\$ 65,357,239
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,771,038	\$ -	\$ -	\$ 2,771,038
Construction in progress	265,002	416,515	-	681,517
Total capital assets not being depreciated	3,036,040	416,515	-	3,452,555
Capital assets being depreciated:				
Buildings and improvements	8,339,378	-	-	8,339,378
Machinery, equipment and other	3,794,508	57,106	-	3,851,614
Infrastructure	23,613,628	41,575	-	23,655,203
Total capital assets being depreciated	35,747,514	98,681	-	35,846,195
Less accumulated depreciation for:				
Buildings and improvements	3,978,809	217,066	-	4,195,875
Machinery, equipment and other	2,917,245	231,661	-	3,148,906
Infrastructure	13,772,444	340,379	-	14,112,823
Total accumulated depreciation	20,668,498	789,106	-	21,457,604
Total capital assets being depreciated, net	15,079,016	(690,425)	-	14,388,591
Total business-type activities capital assets, net	\$ 18,115,056	\$ (273,910)	\$ -	\$ 17,841,146

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$	171,609
Public safety		425,431
Public works		2,069,589
Education		1,817,818
Health and human services		154,321
Culture and recreation		270,511
Total depreciation expense - governmental activities	\$	<u><u>4,909,279</u></u>

Business-Type Activities:

Sewer fund	\$	249,696
Water fund		539,410
Total depreciation expense - business-type activities	\$	<u><u>789,106</u></u>

F. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2023, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 1,442,160	\$ 1,442,160
Nonmajor governmental funds	825,141	-	825,141
Business-type activities	1,565	17,044	18,609
Total transfers out	<u><u>\$ 826,706</u></u>	<u><u>\$ 1,459,204</u></u>	<u><u>\$ 2,285,910</u></u>

G. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2022	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2023
Bond Anticipation Notes:						
Land Acquisition-White Cliffs	3.00%	6/9/2023	\$ 895,000	\$ -	\$ 895,000	\$ -
Land Acquisition-Fire Station	3.00%	6/9/2023	2,100,000	-	2,100,000	-
Land Acquisition-White Cliffs	5.00%	6/7/2024	-	732,000	-	732,000
Land Acquisition-Fire Station	5.00%	6/7/2024	-	2,100,000	-	2,100,000
Ambulance purchase	5.00%	6/7/2024	-	400,000	-	400,000
Total Governmental Activities			<u>\$ 2,995,000</u>	<u>\$ 3,232,000</u>	<u>\$ 2,995,000</u>	<u>\$ 3,232,000</u>

Details related to the short-term debt activity of the business type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2022	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2023
Bond Anticipation Notes:						
Sewer:						
Sewer SCADA project	3.00%	6/9/2023	\$ 500,000	\$ -	\$ 500,000	\$ -
Sewer SCADA project	5.00%	6/7/2024	-	450,000	-	450,000
			-	-	-	-
Water:						
Water Tank-Assabet Hill	3.00%	6/9/2023	688,000	-	688,000	-
Reservoir Dam	3.00%	6/9/2023	50,000	-	50,000	-
Water Tank-Assabet Hill	5.00%	6/7/2024	-	651,000	-	651,000
Reservoir Dam	5.00%	6/7/2024	-	45,000	-	45,000
Total Business-Type Activities			<u>\$ 1,238,000</u>	<u>\$ 1,146,000</u>	<u>\$ 1,238,000</u>	<u>\$ 1,146,000</u>

H. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2023
Inside Debt:					
Church Street Bridge	2.33%	6/14/2018	6/1/2028	\$ 819,000	\$ 400,000
Remodel Highway Garage	0.44%	5/26/2021	4/1/2026	10,050	5,500
Library Construct I	0.44%	5/26/2021	4/1/2026	45,300	27,100
School Roof	0.50%	5/26/2021	4/1/2027	80,075	53,200
Police Station Repairs	0.50%	5/26/2021	4/1/2027	12,650	7,200
Highway Garage	0.50%	5/26/2021	4/1/2027	12,650	7,200
Library Building	0.59%	5/26/2021	4/1/2028	1,107,300	787,600
Library Construct II	0.59%	5/26/2021	4/1/2028	465,575	331,200
Senior Center	0.67%	5/26/2021	4/1/2029	1,949,750	1,463,300
Total Inside Debt					3,082,300
Outside Debt:					
Lincoln Street School	2.50%	6/17/2015	6/15/2035	7,390,000	4,430,000
Lincoln Street School	2.27%	1/21/2016	1/15/2036	6,800,000	4,420,000
Environmental Remediation	0.67%	5/26/2021	4/1/2029	561,750	415,100
Total Outside Debt					9,265,100
Total Bonded Debt					12,347,400
Add: Unamortized premium on bonds					460,195
Total Governmental Type Debt					\$ 12,807,595

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 1,351,400	\$ 438,845	\$ 1,790,245
2025	1,351,000	393,175	1,744,175
2026	1,355,600	336,425	1,692,025
2027	1,343,200	279,445	1,622,645
2028	1,329,000	224,935	1,553,935
2029-2033	3,867,200	641,635	4,508,835
2034-2036	1,750,000	127,050	1,877,050
	\$ 12,347,400	\$ 2,441,510	\$ 14,788,910

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2023
Inside Debt:					
Sewer Fund:					
Sewer Project	4.00%	5/15/2005	5/15/2025	\$ 675,000	\$ 60,000
Sewer - Land Acquisition	5.84%	10/15/2009	10/15/2024	1,550,000	200,000
Sewer Inflow and Infiltration	0.81%	5/26/2021	4/1/2031	353,800	280,000
West Main Street Pump Station	0.80%	5/26/2021	4/1/2031	259,000	200,000
Total Inside Debt					<u>740,000</u>
Outside Debt:					
Sewer Fund:					
Hudson Street Pump Station	2.67%	6/4/2018	6/1/2033	1,363,000	895,000
Sewer Construction I	0.67%	5/26/2021	4/1/2029	441,400	329,400
Sewer Construction II	0.67%	5/26/2021	4/1/2029	82,800	61,800
Total Outside Debt					<u>1,286,200</u>
Total Bonded Debt					2,026,200
Add: Unamortized premium on bonds					132,479
Total Sewer Debt					<u>\$ 2,158,679</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2023
Inside Debt:					
Water fund:					
Water/Sewer Garage	0.80%	5/26/2021	4/1/2031	\$ 666,800	\$ 525,000
Total Inside Debt					525,000
Outside Debt:					
Water fund:					
Water Mains	3.85%	5/15/2005	5/15/2025	1,154,000	60,000
MWRA Meter Project	0.00%	5/15/2017	5/15/2027	986,053	394,421
Water Wells	0.66%	5/26/2021	4/1/2029	260,950	193,400
Water Main Improvement	0.67%	5/26/2021	4/1/2029	75,900	56,600
Water Tank Improvement	0.67%	5/26/2021	4/1/2029	75,900	56,600
Water Wells	0.67%	5/26/2021	4/1/2029	172,525	129,800
Total Outside Debt					890,821
Total Bonded Debt					1,415,821
Add: Unamortized premium on bonds					135,930
Total Water Debt					1,551,751
Total Business-type Debt					\$ 3,710,430

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 617,205	\$ 144,030	\$ 761,235
2025	612,606	117,150	729,756
2026	453,005	93,650	546,655
2027	450,405	75,930	526,335
2028	351,000	58,340	409,340
2029-2033	957,800	85,940	1,043,740
	\$ 3,442,021	\$ 575,040	\$ 4,017,061

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	Balance			Balance	Amounts Due
	July 1, 2022	Additions	Reductions	June 30, 2023	within One
					Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 13,824,600	\$ -	\$ 1,477,200	\$ 12,347,400	\$ 1,351,400
Add: Unamortized premium on bonds	632,737	-	172,542	460,195	141,415
Compensated absences	486,298	26,718	61,491	451,525	261,604
Net OPEB liability	43,895,410	-	11,888,055	32,007,355	-
Net pension liability	28,353,588	6,384,432	-	34,738,020	-
Governmental activity					
Long-term liabilities	\$ 87,192,633	\$ 6,411,150	\$ 13,599,288	\$ 80,004,495	\$ 1,754,419
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 4,093,426	\$ -	\$ 651,405	3,442,021	\$ 617,205
Add: Unamortized premium on bonds	351,389	-	82,980	268,409	71,758
Compensated absences	21,055	748	-	21,803	12,803
Net OPEB liability	468,837	46,850	-	515,687	-
Net pension liability	663,086	169,786	-	832,872	-
Business-type activity					
Long-term liabilities	\$ 5,597,793	\$ 217,384	\$ 734,385	\$ 5,080,792	\$ 701,766

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2023 totaled \$4,347,300.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

The following is a computation of the legal debt limit as of June 30, 2023:

Proposed and Revised Equalized Valuation-Real Estate and Personal Property (2022)			<u>\$ 3,635,129,100</u>
Debt Limit: 5 % of Equalized value			181,756,455
Total Debt Outstanding	\$ 15,789,421		
Less: Debt Outside Debt Limit	<u>(11,442,121)</u>		<u>4,347,300</u>
Inside Debt Excess Borrowing Capacity at June 30, 2023			<u>\$ 177,409,155</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2023 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
4/27/2009	Brigham Street well	\$ 3,776,630
4/25/2011	Middle School green repair	67,079
4/23/2012	Lincoln Street feasibility	15,465
4/21/2014	Lincoln Street School additions	789,632
4/21/2014	Edmund Hill water tank rehabilitation	325,000
4/25/2016	Church Street bridge	100,000
4/24/2023	Fire Engine #1 replacement	900,000
4/24/2023	Highway Garage Tight Tank	475,000
		<u>\$ 6,448,806</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

I. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2023:

	General Fund	Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 843,016	\$ 843,016
Restricted:				
Federal, state and local grants	-	-	913,876	913,876
School grants	-	-	1,220,239	1,220,239
School revolving funds	-	-	485,585	485,585
Revolving funds	-	-	865,775	865,775
Community preservation fund	-	-	2,413,277	2,413,277
Donations and gifts	-	-	127,611	127,611
Reserve for debt	96,299	-	126,905	223,204
Permanent funds	-	-	254,822	254,822
Capital project funds	-	-	945,605	945,605
Other	-	-	1,494,986	1,494,986
	<u>96,299</u>	<u>-</u>	<u>8,848,681</u>	<u>8,944,980</u>
Committed:				
Capital project funds	-	-	2,315,234	2,315,234
Fire Emergency Medical Services	-	-	802,438	802,438
Solid waste fund	-	-	411,565	411,565
	<u>-</u>	<u>-</u>	<u>3,529,237</u>	<u>3,529,237</u>
Assigned:				
General government	107,378	-	-	107,378
Public safety	162,349	-	-	162,349
Public works	194,706	-	-	194,706
Education	262,309	-	-	262,309
Health and human services	761	-	-	761
Culture and recreation	19,908	-	-	19,908
Employee benefits and insurance	33,654	-	-	33,654
Subsequent year's budget	982,123	-	-	982,123
	<u>1,763,188</u>	<u>-</u>	<u>-</u>	<u>1,763,188</u>
Unassigned:				
General fund	11,265,813	-	-	11,265,813
Capital projects	-	(203,404)	(4,350)	(207,754)
Special revenue funds	-	-	(22,316)	(22,316)
	<u>11,265,813</u>	<u>(203,404)</u>	<u>(26,666)</u>	<u>11,035,743</u>
Total Governmental fund balances	<u>\$ 13,125,300</u>	<u>\$ (203,404)</u>	<u>\$ 13,194,268</u>	<u>\$ 26,116,164</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

J. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a 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. Any interest shall be added to and become a part of the fund.

At June 30, 2023, the balance in the stabilization funds is \$5,298,019 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Sewage Treatment Litigation

The Town's sewage output is sent to the City of Marlborough's municipal treatment plant (the Plant). The Town has been utilizing the City's Plant under an inter-municipal agreement for many years. This agreement has expired, and the City and the Town are currently in litigation regarding how recent and future sewage treatment will be charged. The City is currently charging the Town as an out of City commercial user, while the Town believes that charges must be based on a methodology like that provided for in the expired inter-municipal agreement. The Town has accrued a liability at June 30, 2023, of approximately \$5,891,933 for a potential resolution of this issue based on the methodology the Town believes will be implemented as a result of the litigation. The City of Marlborough has provided the Town with an invoice that has an outstanding balance due from the Town at June 30, 2022, of approximately \$5,919,022, which the Town believes is significantly overstated based on the past inter-municipal agreement.

B. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

C. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

D. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

E. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The Town's portion of the collective pension expense contributed by the Commonwealth of \$4,422,097 on-behalf payments for the fiscal year ending June 30, 2023 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2022 was \$2,812,709, representing 25.43% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2023, the Town reported a liability of \$35,570,892 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll forward the total pension liability to the measurement 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 members, actuarially determined. At December 31, 2022, the Town's proportional percentage was 3.459%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2023, the Town recognized a pension expense of \$4,016,295; and reported deferred outflows of resources related to pensions of \$4,744,935 from the net difference between projected and actual investment earnings, the changes in assumptions and the change in allocated proportion; and deferred inflows of resources related to pensions of \$1,419,424 from the net difference between expected and actual experience and the change in allocated proportion.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,		
2024	\$	287,623
2025		725,630
2026		871,821
2027		1,521,708
Thereafter:		(81,271)
	\$	3,325,511

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2022:

Valuation date	January 1, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Payment increases 4.0% per year, except for Early Retirement Incentive (ERI). Programs for 2002 and 2003 (4.5%) and 2010 (level dollar). Increases in annual appropriation are. Limited to 9.95%.
Asset valuation method	Is the market value adjusted to phase-in investment gains and losses Over a 5-year period, further constrained to be within 20% of market: value. Investment gains and losses are the excess or deficiency of the expected returns over the actual returns.
Inflation	2.40% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled lives, mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

Long-term Expected Rate of Return

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

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37%	4.74%
Core Fixed income	15%	2.10%
Value-Added Fixed Income	8%	5.20%
Private Equity	16%	7.60%
Real Estate	10%	3.10%
Timber/Natural Resources	4%	4.40%
Portfolio Completion Strategies	10%	3.90%
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return, net of pension plan investment expense, was (11.68%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity 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 7.25%. 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 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	\$ 43,406,072	\$ 35,570,892	\$ 28,946,747

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

F. Other Post-Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

The cost of post-employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provides post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 651 active, retired employees and beneficiaries that meet the eligibility requirements. The plan does not issue a separate financial report.

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Select Board by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2023, investments, concentration and rate of return information consisted of pooled funds in the Pension Reserves Investment Trust (PRIT) Fund created under the supervision of the Pension Reserves Investment Management (PRIM) Board described earlier under Deposits and Investments (refer to note 3A).

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the period ending on the June 30, 2023 Measurement Date, the Town premiums plus implicit costs for the retiree medical program were \$1,696,504. The Town also made a contribution to an OPEB Trust of \$300,000 for a total contribution during the measurement period of \$1,996,504. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$5,224,838 as of June 30, 2023.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Plan Membership:

Current active members	404
Current retirees, beneficiaries and dependents	247
Total	651

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Net OPEB Liability

The components of the net OPEB liability are as follows:

	6/30/2023
Total OPEB liability	37,747,880
Less: Plan fiduciary net position	(5,224,838)
Town's Net OPEB liability	\$ 32,523,042
Plan fiduciary net position as a percentage of the total OPEB liability	13.84%

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2023:

Valuation date	Actuarially determined contribution was calculated as of July 1, 2022
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market value of assets as of the measurement date.
Investment rate of return	6.30% annually, net of OPEB plan investment expense, Including inflation
Single Equivalent Discount rate	6.26%, net of OPEB plan investment expense, Including inflation
Inflation rate	2.50% as of June 30, 2023 and for future periods
Participant salary increases	3.00% as of June 30, 2023 and for future periods
Mortality rates	
Pre-retirement mortality (General)	RP-2014 Mortality Table for Blue Collar Employees, projected generationally with Scale MP-2016 for males and females, set forward one year for females.
Post-retirement mortality (General)	RP-2014 Mortality Table for Blue Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females.
Disabled mortality (General)	RP-2014 Mortality Table for Blue Collar Healthy Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year.
Pre-retirement mortality (Teachers)	RP-2014 Mortality Table for White Collar Employees, projected generationally with Scale MP-2016 for males and females.
Post-retirement mortality (Teachers)	RP-2014 Mortality Table for White Collar Healthy Annuitants, projected generationally with Scale MP-2016 for males and females.
Disabled mortality (Teachers)	RP-2014 Mortality Table for White Collar Healthy Annuitants, projected generationally with Scale MP-2016 for males and females.

The actuarial assumptions used in the July 1, 2022 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index (SAPIHG) as of June 30, 2023 is 4.13%.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 5.55%.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.26%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan assets is applied to the projected benefit payments which the fiduciary net position is expected to be sufficient to cover until Fiscal year 2089 and the Municipal Bond Rate is applied thereafter.

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments is developed based on the Town's investment policy is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity - Large Capital	14.50%	4.10%
Domestic Equity - Small/Mid Capital	3.50%	4.55%
International Equity - Developed Market	16.00%	4.64%
International Equity - Emerging Market	6.00%	5.45%
Domestic Fixed Income	20.00%	1.05%
International Fixed Income	3.00%	0.96%
Alternatives	23.00%	5.95%
Real Estate	14.00%	6.25%
Total	<u>100.00%</u>	
I. Real Rate of Return		4.30%
II. Add: Inflation Assumption		2.50%
III. Total Nominal Return (I. + II.)		<u>6.80%</u>
IV. Less: Investment Expense		0.50%
V. Net investment Return (III.-IV.)		<u>6.30%</u>

* = Mean Geometric Returns based on 2022 Horizon Survey of Capital Market Assumptions.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2022	\$ 49,015,850	\$ 4,651,603	\$ 44,364,247
Service cost	1,216,995	-	1,216,995
Interest on OPEB Liability	3,057,695	-	3,057,695
Changes in benefit terms *	(12,402,566)	-	(12,402,566)
Changes in assumptions **	935,125	-	935,125
Difference between actual and expected experience **	(2,378,715)	-	(2,378,715)
Net investment income	-	273,235	(273,235)
Employer contributions to Trust	-	1,996,504	(1,996,504)
Total benefit payments including implicit cost	(1,696,504)	(1,696,504)	-
Net change in total OPEB liability	<u>(11,267,970)</u>	<u>573,235</u>	<u>(11,841,205)</u>
Balances at June 30, 2023	<u>\$ 37,747,880</u>	<u>\$ 5,224,838</u>	<u>\$ 32,523,042</u>

* = Recognized immediately

** = Amortized over 6.89 years

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.26%) or 1-percentage-point higher (7.26%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.26%	6.26%	7.26%
Town's net OPEB liability	\$ 37,990,846	\$ 32,523,042	\$ 28,085,890

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	Town's net OPEB liability	\$ 27,519,742	\$ 32,523,042

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

Expense/(Income), Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense/(income) of (\$11,903,433) and reported deferred outflows of resources related to OPEB of \$3,716,080 from the changes in assumptions; and deferred inflows of resources related to OPEB of \$6,183,394 from the differences between actual and expected experience, changes in assumptions and the net difference between projected and actual investment earnings on OPEB plan investments.

The Town's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>For years ended June 30,</u>	
2024	\$ (1,473,897)
2025	(1,507,138)
2026	467,315
2027	368,202
2028	(135,320)
Thereafter:	(186,476)
	<u><u>\$ (2,467,314)</u></u>

G. Implementation of New GASB Pronouncements

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023. The adoption of this standard did not have a material impact on the Town's financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023. The adoption of this standard did not have a material impact on the Town's financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023. The adoption of this standard did not have a material impact on the Town's financial statements.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2023

H. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 99, *Omnibus 2023*, clarification on GASB No. 34 Management's Discussion and Analysis; on GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position; requirements related to leases and requirements related to derivative instruments for implementation in fiscal year 2023 and 2024.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB No. 62*, for implementation in fiscal year 2024.

The GASB issued Statement No. 101, *Compensated Absences*, for implementation in fiscal year 2025.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Retirement System
For the Year Ended June 30, 2023

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

Measurement Date	Town's proportion of the net pension liability (asset)	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Net pension liability percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2022	3.459%	\$ 35,570,892	\$ 11,059,672	321.63%	48.20%
12/31/2021	3.446%	\$ 29,016,674	\$ 11,039,627	262.84%	56.19%
12/31/2020	3.503%	\$ 31,117,235	\$ 11,319,620	274.90%	50.29%
12/31/2019	3.480%	\$ 30,976,459	\$ 11,378,045	272.25%	47.36%
12/31/2018	3.389%	\$ 30,730,253	\$ 10,399,313	295.50%	43.05%
12/31/2017	3.358%	\$ 27,381,868	\$ 10,251,693	267.10%	46.40%
12/31/2016	3.323%	\$ 27,829,488	\$ 10,509,931	264.79%	42.00%
12/31/2015	3.302%	\$ 23,435,617	\$ 9,910,503	236.47%	44.52%
12/31/2014	3.470%	\$ 20,649,958	\$ 9,529,330	216.70%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Retirement System
For the Year Ended June 30, 2023

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

Measurement Date	Actuarially determined contribution	Less: Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions percentage of covered employee payroll
12/31/2022	\$ 2,812,709	\$ (2,812,709)	\$ -	\$ 11,059,672	25.43%
12/31/2021	\$ 2,548,279	\$ (2,548,279)	\$ -	\$ 11,039,627	23.08%
12/31/2020	\$ 2,356,175	\$ (2,356,175)	\$ -	\$ 11,319,620	20.81%
12/31/2019	\$ 2,118,897	\$ (2,118,897)	\$ -	\$ 11,378,045	18.62%
12/31/2018	\$ 1,886,814	\$ (1,886,814)	\$ -	\$ 10,399,313	18.14%
12/31/2017	\$ 1,699,113	\$ (1,699,113)	\$ -	\$ 10,251,693	16.57%
12/31/2016	\$ 1,613,924	\$ (1,613,924)	\$ -	\$ 10,509,931	15.36%
12/31/2015	\$ 1,485,299	\$ (1,485,299)	\$ -	\$ 9,910,503	14.99%
12/31/2014	\$ 1,374,384	\$ (1,374,384)	\$ -	\$ 9,529,330	14.42%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedules
For the Year Ended June 30, 2023

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Total OPEB liability				
Service cost	\$ 1,216,995	\$ 1,159,907	\$ 1,302,442	\$ 1,268,794
Interest on OPEB liability	3,057,695	2,897,658	2,540,661	2,397,236
Changes in Benefit terms	(12,402,566)	-	-	-
Changes in Assumptions	935,125	519,381	4,038,357	489,781
Difference between actual and expected experience	(2,378,715)	-	(561,948)	(508,751)
Benefit payments, including refunds of member contributions	(1,696,504)	(1,504,646)	(1,426,585)	(1,346,422)
Net change in total OPEB liability	(11,267,970)	3,072,300	5,892,927	2,300,638
Total OPEB liability-beginning	49,015,850	45,943,550	40,050,623	37,749,985
Total OPEB liability-ending (a)	<u>\$ 37,747,880</u>	<u>\$ 49,015,850</u>	<u>\$ 45,943,550</u>	<u>\$ 40,050,623</u>
Plan fiduciary net position				
Net investment income	\$ 273,235	\$ (181,686)	\$ 1,098,190	\$ 71,059
Employer contributions to Trust	1,996,504	1,504,646	1,426,585	1,896,422
Benefit payments, including refunds of member contributions	(1,696,504)	(1,504,646)	(1,426,585)	(1,346,422)
Net change in plan fiduciary net position	573,235	(181,686)	1,098,190	621,059
Total fiduciary net position-beginning	4,651,603	4,833,289	3,735,099	3,114,040
Total fiduciary net position-ending (b)	<u>\$ 5,224,838</u>	<u>\$ 4,651,603</u>	<u>\$ 4,833,289</u>	<u>\$ 3,735,099</u>
Town's net OPEB liability (a-b)	<u>\$ 32,523,042</u>	<u>\$ 44,364,247</u>	<u>\$ 41,110,261</u>	<u>\$ 36,315,524</u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedules
For the Year Ended June 30, 2023

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability			
Service cost	\$ 1,142,917	\$ 1,764,785	\$ 1,338,062
Interest on OPEB liability	2,511,938	2,495,718	2,246,197
Changes in Benefit terms	668,654	-	-
Changes in Assumptions	(7,776,371)	-	-
Difference between actual and expected experience	(4,861,321)	5,063,864	-
Benefit payments, including refunds of member contributions	(1,262,541)	(1,141,137)	(1,063,163)
Net change in total OPEB liability	(9,576,724)	8,183,230	2,521,096
Total OPEB liability-beginning	<u>47,326,709</u>	<u>39,143,474</u>	<u>36,622,378</u>
Total OPEB liability-ending (a)	<u>\$ 37,749,985</u>	<u>\$ 47,326,704</u>	<u>\$ 39,143,474</u>
Plan fiduciary net position			
Net investment income	\$ 175,450	\$ 203,867	\$ 183,516
Employer contributions to Trust	1,762,541	1,641,132	1,563,163
Benefit payments, including refunds of of member contributions	(1,262,541)	(1,141,137)	(1,063,163)
Net change in plan fiduciary net position	675,450	703,862	683,516
Total fiduciary net position-beginning	<u>2,438,590</u>	<u>1,734,723</u>	<u>1,051,207</u>
Total fiduciary net position-ending (b)	<u>\$ 3,114,040</u>	<u>\$ 2,438,585</u>	<u>\$ 1,734,723</u>
Town's net OPEB liability (a-b)	<u>\$ 34,635,945</u>	<u>\$ 44,888,119</u>	<u>\$ 37,408,751</u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedules
For the Year Ended June 30, 2023

Schedule of Net OPEB Liability:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Total OPEB liability	\$ 37,747,880	\$ 49,015,850	45,943,550	\$ 40,050,623
Less: Plan fiduciary net position	<u>(5,224,838)</u>	<u>(4,651,603)</u>	<u>(4,833,289)</u>	<u>(3,735,099)</u>
Town's Net OPEB liability	<u>\$ 32,523,042</u>	<u>\$ 44,364,247</u>	<u>\$ 41,110,261</u>	<u>\$ 36,315,524</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.84%	9.49%	10.52%	9.33%
Town's share of covered employee payroll	\$ 27,936,358	\$ 27,104,799	\$ 26,315,339	\$ 27,498,288
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	116.42%	163.68%	156.22%	132.06%

Schedule of Contributions:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>
Actuarially determined contribution	\$ 2,859,894	\$ 3,382,985	\$ 3,376,740	\$ 3,818,668
Less: Contributions in relation to the actuarially determined contribution	<u>(1,996,504)</u>	<u>(1,504,646)</u>	<u>(1,426,585)</u>	<u>(1,896,422)</u>
Contribution deficiency (excess)	<u>\$ 863,390</u>	<u>\$ 1,878,339</u>	<u>\$ 1,950,155</u>	<u>\$ 1,922,246</u>
Town's share of covered employee payroll	\$ 27,936,358	\$ 27,104,799	\$ 26,315,339	\$ 27,498,288
Contributions percentage of covered-employee payroll	7.15%	5.55%	5.42%	6.90%
Annual money-weighted rate of return net of investment expense	5.55%	-3.76%	29.40%	1.96%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedules
For the Year Ended June 30, 2023

Schedule of Net OPEB Liability:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 37,749,983	\$ 47,326,709	\$ 39,143,474
Less: Plan fiduciary net position	<u>(3,114,040)</u>	<u>(2,438,590)</u>	<u>(1,734,723)</u>
Town's Net OPEB liability	<u>\$ 34,635,943</u>	<u>\$ 44,888,119</u>	<u>\$ 37,408,751</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.25%	5.15%	4.43%
Town's share of covered employee payroll	\$ 26,697,367	\$ 24,956,701	\$ 24,956,700
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	129.74%	179.86%	149.89%

Schedule of Contributions:

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 3,574,860	\$ 4,143,197	\$ 3,775,994
Less: Contributions in relation to the actuarially determined contribution	<u>(1,762,541)</u>	<u>(1,641,132)</u>	<u>(1,563,163)</u>
Contribution deficiency (excess)	<u>\$ 1,812,319</u>	<u>\$ 2,502,065</u>	<u>\$ 2,212,831</u>
Town's share of covered employee payroll	\$ 26,697,367	\$ 24,956,701	\$ 24,956,700
Contributions percentage of covered-employee payroll	6.60%	6.58%	6.26%
Annual money-weighted rate of return net of investment expense	6.24%	4.07%	10.67%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedules
For the Year Ended June 30, 2023

Schedule of Funding Progress:

Measurement Date	Other Post Employment Benefits						Actuarial Percentage of Covered Payroll ((B-A)/C)
	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)		
6/30/2023	\$ 5,224,838	\$ 37,747,880	\$ 32,523,042	13.84%	\$ 27,936,358	116.42%	
6/30/2022	\$ 4,651,603	\$ 49,015,850	\$ 44,364,247	9.49%	\$ 27,104,799	163.68%	
6/30/2021	\$ 4,833,289	\$ 45,943,550	\$ 41,110,261	10.52%	\$ 26,315,339	156.22%	
6/30/2020	\$ 3,735,099	\$ 40,050,623	\$ 36,315,524	9.33%	\$ 27,498,288	132.06%	
6/30/2019	\$ 3,114,040	\$ 37,749,985	\$ 34,635,945	8.25%	\$ 26,697,367	129.74%	
6/30/2018	\$ 2,438,590	\$ 47,326,709	\$ 44,888,119	5.15%	\$ 24,956,701	179.86%	
6/30/2017	\$ 1,734,723	\$ 39,143,474	\$ 37,408,751	4.43%	\$ 24,956,700	149.89%	

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULE

TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Fund Balances July 1, 2022	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2023
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 33,531	\$ 450,117	\$ 474,234	\$ -	\$ 9,414
Arts Lottery Council Grant	7,538	13,032	15,570	-	5,000
Board of Health Grants	96,676	462,231	406,923	-	151,984
Community Compact Grant	31,400	-	31,400	-	-
Community Affairs Grant	-	2,500	-	-	2,500
Council on Aging Grants	1,139	48,425	30,934	-	18,630
Dam Removal Grant	40,000	-	40,000	-	-
Emergency Management Grants (COVID)	382,490	137,067	593	-	518,964
Highway Grants	6,112	809,273	775,778	-	39,607
Library Grants	43,384	102,742	32,513	-	113,613
Other Grants and Programs	19,086	49,600	60,006	-	8,680
Public Safety Grants	6,220	200,874	191,728	-	15,366
Recycling Grants	5,446	15,400	18,480	-	2,366
Town Clerk Grant	10,929	4,518	597	-	14,850
Schools:					
School Lunch Program	278,065	959,261	860,556	-	376,770
School Lunch Commodities	-	54,362	54,362	-	-
School Revolving Funds	124,917	146,275	162,377	-	108,815
State Special Education Reimbursement	1,219,176	1,210,825	1,219,176	-	1,210,825
Other:					
Amazon Traffic Mitigation	32,818	-	-	-	32,818
Cable Access Television	429,607	236,358	-	(231,158)	434,807
Community Affairs Revolving	15,850	5,900	7,096	-	14,654
Community Preservation Fund	1,672,130	1,051,460	473,313	163,000	2,413,277
Conservation Revolving	23,912	230	-	(11,309)	12,833
Council on Aging Revolving	146,631	91,974	132,782	-	105,823
Special Revenue Funds Page 77	\$ 4,627,057	\$ 6,052,424	\$ 4,988,418	\$ (79,467)	\$ 5,611,596

TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Fund Balances July 1, 2022	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2023
Continued from Page 77	\$ 4,627,057	\$ 6,052,424	\$ 4,988,418	\$ (79,467)	\$ 5,611,596
Other (continued):					
Council on Aging WRTA Program	155,776	88,754	47,824	-	196,706
Deputy Collector Fees	1,047	29,538	29,461	-	1,124
Dog Control Revolving	47,353	30,690	255	(28,000)	49,788
Family Youth Services Revolving	4,253	-	-	-	4,253
Fire Emergency Medical Services	809,885	1,033,314	686,274	(354,487)	802,438
Gifts and Donations	109,594	113,498	95,481	-	127,611
Insurance Reimbursements	85,000	74,469	55,322	-	104,147
Medicare Part D Subsidy	50,734	53,802	-	(50,732)	53,804
Parks and Recreation Revolving	415,217	675,831	560,792	(75,000)	455,256
Planning Board Revolving	211	7	-	-	218
Police Drug Task Force	1,045	14,197	-	-	15,242
Premium on Sale of Bonds	106,469	-	30,107	50,543	126,905
Public Safety Outside Detail Funds	29,696	243,465	247,984	-	25,177
Sale of Cemetery Lots	30,750	8,250	-	(18,500)	20,500
Sale of Land (Reserved)	12,435	-	-	-	12,435
Solid Waste Funds	413,927	586,212	837,423	337,160	499,876
Stanton Foundation Dog Park Grant	-	25,000	-	-	25,000
Tax Title Registry of Deeds Fee	833	1,007	1,680	-	160
Transportation Network Surcharge	4,042	2,982	-	(1,764)	5,260
Veterans Cost of Living	1,501	-	1,501	-	-
Conservation Funds	707,018	17,320	-	-	724,338
Elderly Funds	32,623	33,293	-	-	65,916
Scholarship Funds	282	3,519	3,300	-	501
Total Special Revenue Funds	\$ 7,646,748	\$ 9,087,572	\$ 7,585,822	\$ (220,247)	\$ 8,928,251

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Fund Balances July 1, 2022	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2023
Capital Projects:					
Fire Department ambulance	\$ -	\$ -	\$ 4,350	\$ -	\$ (4,350)
Fire Department vehicles	86,334	-	71,470	(14,864)	-
Highway culvert and drainage improvements	300,000	-	298,500	(1,500)	-
Highway equipment	485,000	-	456,893	-	28,107
Highway generator	35,000	-	-	-	35,000
Highway vehicles	461,903	-	168,403	-	293,500
Highway vehicles	2,500	-	1,341	(1,159)	-
Highway vehicles	-	-	-	505,000	505,000
Management Information System (MIS) network	26,741	-	-	-	26,741
Master Plan (Downtown)	150,000	-	129,671	-	20,329
Middle School green repairs	102,533	-	-	-	102,533
MIS/GIS Aerial Photo	58,726	-	-	-	58,726
Police Station improvements	-	-	-	70,000	70,000
Police vehicles	165,000	-	-	190,000	355,000
Police vehicles	119,881	-	119,881	-	-
Road maintenance	454,000	-	70,648	-	383,352
Road maintenance	316,154	-	125,908	-	190,246
Road maintenance	-	-	-	300,000	300,000
School entrance improvement	-	-	5,300	40,000	34,700
Senior Center construction	35,790	-	35,790	-	-
Town Hall feasibility study	100,000	-	-	-	100,000
Town Offices' improvements	757,605	-	-	-	757,605
Total Capital Projects Fund	\$ 3,657,167	\$ -	\$ 1,488,155	\$ 1,087,477	\$ 3,256,489

TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Fund Balances July 1, 2022	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2023
Perpetual Permanent Funds:					
Assabet Park Funds	\$ 7,959	\$ -	\$ -	\$ -	\$ 7,959
Cemetery Funds	639,665	11,550	-	-	651,215
Library Fund	81,509	-	-	-	81,509
Miscellaneous Funds	14,022	-	-	-	14,022
Total Perpetual Permanent Funds	743,155	11,550	-	-	754,705
Permanent Funds:					
Assabet Park Funds	14	227	-	-	241
Cemetery Funds	54	15,863	-	(9,006)	6,911
Library Fund	247,474	45,144	58,153	-	234,465
Miscellaneous Funds	12,598	608	-	-	13,206
Total Permanent Funds	260,140	61,842	58,153	(9,006)	254,823
Total - Non-Major Governmental Funds	\$ 12,307,210	\$ 9,160,964	\$ 9,132,130	\$ 858,224	\$ 13,194,268

TOWN OF NORTHBOROUGH, MASSACHUSETTS

**INDEPENDENT AUDITOR'S REPORTS PURSUANT
TO GOVERNMENT AUDITING STANDARDS
AND UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF NORTHBOROUGH, MASSACHUSETTS

**Independent Auditor's Reports Pursuant to
Government Auditing Standards and
Uniform Guidance**

For the Year Ended June 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR'S REPORT ON:	
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8-9
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11

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

To the Honorable Select Board
Town of Northborough, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Northborough, Massachusetts' basic financial statements and have issued our report thereon dated May 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 10, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Select Board
Town of Northborough, Massachusetts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Northborough, Massachusetts' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Northborough, Massachusetts' major federal programs for the year ended June 30, 2023. The Town of Northborough, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Northborough, Massachusetts, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Northborough, Massachusetts, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Northborough, Massachusetts' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Northborough, Massachusetts' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion

on the Town of Northborough, Massachusetts' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Northborough, Massachusetts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Northborough, Massachusetts' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Northborough, Massachusetts' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Northborough, Massachusetts' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Northborough, Massachusetts' basic financial statements. We issued our report thereon, dated May 10, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 10, 2024

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Agriculture				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	14-213	\$ -	\$ 22,957
National School Lunch Program	10.555	14-213	-	275,404
Supply Chain Assistance	10.555	14-213	-	51,536
Non-Cash Financial Assistance - Commodities	10.555	14-213	-	54,362
Total Child Nutrition Cluster			-	404,259
Total U. S. Department of Agriculture			-	404,259
U. S. Department of Transportation				
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Security:				
Municipal Road Safety Program	20.600		-	496
Total U. S. Department of Transportation			-	496
U. S. Department of Treasury				
Direct Program:				
Coronavirus State and Local Fiscal Recovery Funds	21.027		-	94,490
Total U. S. Department of Treasury			-	94,490
U. S. Department of Education				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Special Education Cluster:				
Special Education Early Childhood Allocation - 2022	84.173	262-541089-2022-0213	-	2,410
Special Education Early Childhood Allocation - 2023	84.173	262-689591-2023-0213	-	31,511
American Rescue Plan IDEA Early Childhood - 2022	84.173	264-585383-2022-0213	-	3,961
Total Special Education Cluster			-	37,882
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II - 2022	84.425D	115-528065-2022-0213	-	15,698
Elementary and Secondary School Emergency Relief III - 2022	84.425U	119-585431-2022-0213	-	223,493
Summer Acceleration Academies - 2022	84.425D	121-510744-2022-0213	-	945
High Quality Instructional Materials Network Support - 2023	84.425U	161-757236-2023-0213	-	35,000
Total COVID-19 Education Stabilization Fund			-	275,136
Total U. S. Department of Education			-	313,018
TOTAL PAGE 1 OF 2			\$ -	\$ 812,263

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Health and Human Services				
Passed Through Commonwealth of Massachusetts				
Department of Public Health:				
Regional Health Contact Tracing	93.354		\$ -	\$ 95,752
Passed Through Bay Path Elder Services, Inc.:				
Title III-B - Senior Transportation	93.044		-	274
Total U. S. Department of Health and Human Services			<u>-</u>	<u>96,026</u>
U. S. Department of Homeland Security				
Direct Program:				
Assistance to Firefighters Grant	97.044		-	109,524
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Emergency Management Performance Grants	97.042		-	4,600
Passed Through City of Worcester, Massachusetts:				
Homeland Security Public Health	97.067		-	1,590
Total U. S. Department of Homeland Security			<u>-</u>	<u>115,714</u>
TOTAL PAGE 2 OF 2			-	211,740
TOTAL PAGE 1 OF 2			-	812,263
TOTAL PAGE FEDERAL AWARDS EXPENDED			<u>\$ -</u>	<u>\$ 1,024,003</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Northborough, Massachusetts, under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Northborough, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Northborough, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

The Town of Northborough, Massachusetts, did not use the de minimis cost rate.

NOTE D – FOOD DISTRIBUTION

The Town of Northborough, Massachusetts, receives non-cash commodities from the U.S. Department of Agriculture as part of the National School Lunch program. The amounts reported as non-cash assistance represent the fair market value of these commodities received during the year.

The amounts reported as cash assistance represent federal reimbursement for meals provided.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? _____Yes X None Reported

Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? _____Yes X None Reported

Type of Auditor’s Report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____Yes X No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	U. S. Department of Agriculture – Child Nutrition Cluster
84.425	U. S. Department of Education – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – PRIOR YEAR FINDINGS

None reported.