

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2021



TOWN OF SOUTHBOROUGH, MASSACHUSETTS

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ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801
Telephone: (781) 933-0073
www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Southborough, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southborough, Massachusetts, (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Town as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the Town's governmental activities and private purpose trust funds and its nonmajor governmental, community preservation, capital projects fund balances. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

Town of Southborough, Massachusetts
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That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over the financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
March 1, 2022

Management's Discussion and Analysis

As the management of the Town of Southborough, Massachusetts (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by nearly \$16.8 million (*total net position*). Approximately \$5.6 million represented net position of the governmental and the net position of the business-type activities was approximately \$11.2 million.
- The government's total net position decreased by approximately \$1.6 million. The governmental activities decreased net position by approximately \$2.0 million while the business-type activities increased net position by under \$0.4 million.
- The Town's unassigned fund balance reported in the General Fund was approximately \$3.2 million (5.3% of General Fund expenditures). Total fund balance in the General Fund was approximately \$6.6 million (10.9% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$27.5 thousand in the Public Facility Fund, a restricted fund balance of nearly \$2.8 million in the Community Preservation Fund, an unassigned fund balance (deficit) of nearly \$0.4 million in the Capital Project Fund and reported total fund balances of over \$6.1 million in the combined Nonmajor Governmental Funds.
- The Town's debt balance remained consistent during the year at nearly \$31.9 million. During the fiscal year the Town issued over \$2.6 million of governmental activities debt, over \$0.3 million of governmental activities refunding bonds and nearly \$0.3 million of business-type activity refunding bonds. debt and refunded approximately \$4.1 million of governmental activities debt. Regular scheduled maturities of governmental activities and business-type activities debt totaled approximately \$2.7 million and \$0.6 million, respectively. The remaining changes relate to unamortized bond premiums.

Overview of the Financial Statements

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

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of position* presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported net as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the 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.)

The government-wide financial statements consist of two classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*), and (2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town consist of water utility activities.

Fund Financial Statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided in the financial statements to help the reader understand the differences, as indicated with the table of contents.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, public safety facility fund, community preservation fund and capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes the schedules of the Town's proportionate share of the net pension liability, contributions to the pension plan, the funding progress and contribution funding of its obligation to provide other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	Governmental activities		Business-type activities		Total	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 23,643,483	\$ 23,701,289	\$ 3,499,813	\$ 3,139,545	\$ 27,143,296	\$ 26,840,834
Capital assets, net	84,248,392	85,768,669	12,542,449	12,875,253	96,790,841	98,643,922
Total assets	107,891,875	109,469,958	16,042,262	16,014,798	123,934,137	125,484,756
Deferred Outflows of Resources	15,601,052	3,295,823	246,420	86,138	15,847,472	3,381,961
Liabilities						
Long-term liabilities	103,715,564	85,041,534	4,874,502	4,682,896	108,590,066	89,724,430
Other liabilities	6,045,928	10,372,921	42,290	425,700	6,088,218	10,798,621
Total liabilities	109,761,492	95,414,455	4,916,792	5,108,596	114,678,284	100,523,051
Deferred Inflows of Resources	8,161,517	8,144,943	153,724	127,162	8,315,241	8,272,105
Net Position						
Net investment in capital assets	55,262,101	58,553,466	9,288,041	9,240,253	64,550,142	67,793,719
Restricted	8,888,969	9,190,555	-	-	8,888,969	9,190,555
Unrestricted	(58,581,152)	(58,537,638)	1,930,125	1,624,925	(56,651,027)	(56,912,713)
Net position	\$ 5,569,918	\$ 9,206,383	\$ 11,218,166	\$ 10,865,178	\$ 16,788,084	\$ 20,071,561

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by nearly \$16.8 million (*total net position*). This was a decrease of over \$1.6 million over the preceding year, net of beginning net position restatements. This was primarily the result of benefits expenses related to its other postemployment benefits liability of over \$1.9 million in the governmental activities which was offset by positive water business-type operations of nearly \$0.4 million.

By far the largest portion (approximately \$64.6 million) of the Town's net position 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 Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$8.9 million) represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* reflects the remainder of net position, a deficit of approximately \$56.7 million. This is due to the recognition of the other postemployment benefits liability of approximately \$47.1 million as a result of the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as previously discussed, and the implementation of GASB 68 in 2015, which has resulted in the recognition of approximately \$28.7 million in net pension liabilities.

The condensed statement of changes in net position is as follows:

	Governmental activities		Business-type activities		Total	
	June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 4,688,248	\$ 2,297,192	\$ 2,860,363	\$ 2,113,281	\$ 7,548,611	\$ 4,410,473
Operating grants and contributions	12,034,260	10,382,220	-	-	12,034,260	10,382,220
Capital grants and contributions	762,884	585,300	-	-	762,884	585,300
General revenues:						
Property taxes	45,496,766	44,269,382	-	-	45,496,766	44,269,382
Intergovernmental	512,301	471,081	-	-	512,301	471,081
Other	3,786,594	3,662,579	3,637	16,691	3,790,231	3,679,270
Total Revenues	67,281,053	61,667,754	2,864,000	2,129,972	70,145,053	63,797,726
Expenses						
General government	6,811,847	4,398,450	-	-	6,811,847	4,398,450
Public safety	9,811,505	7,828,128	-	-	9,811,505	7,828,128
Education	43,915,574	42,656,376	-	-	43,915,574	42,656,376
Public works	4,325,049	3,779,438	-	-	4,325,049	3,779,438
Health and human services	1,416,256	1,124,447	-	-	1,416,256	1,124,447
Culture and recreation	2,120,354	1,532,261	-	-	2,120,354	1,532,261
Debt service	871,670	982,006	-	-	871,670	982,006
Water	-		2,515,436	2,581,857	2,515,436	2,581,857
Total Expenses	69,272,255	62,301,106	2,515,436	2,581,857	71,787,691	64,882,963
Change in net position before transfers	(1,991,202)	(633,352)	348,564	(451,885)	(1,642,638)	(1,085,237)
Transfers	(4,424)	49,635	4,424	(49,635)	-	-
Change in net position	(1,995,626)	(583,717)	352,988	(501,520)	(1,642,638)	(1,085,237)
Net position, beginning of year	9,206,383	9,790,100	10,865,178	11,366,698	20,071,561	21,156,798
Restatement for agency funds	(12,344)	-	-	-	(12,344)	-
Restatement for private purpose funds	(1,628,495)	-	-	-	(1,628,495)	-
Net position, beginning of year, as restated	7,565,544	9,790,100	10,865,178	11,366,698	18,430,722	21,156,798
Net position, end of year	\$ 5,569,918	\$ 9,206,383	\$ 11,218,166	\$ 10,865,178	\$ 16,788,084	\$ 20,071,561

Governmental Activities - The Town relies significantly on property taxes, which, during 2021, made up approximately 67.6% of total revenues, down from 71.8% in the prior year. Actual revenues increased by 2.8% as expected. Operating grants and contributions made up approximately 17.9% of total revenues,

up from 16.8% in 2020. Actual revenues increased \$1.7 million primarily due to a \$0.8 million increase in on-behalf pension payments and a \$0.5 million increase in community preservation results. No other revenues were greater than 10% of total revenues in 2021 or 2020.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 63.4% of total expenses, down from the prior year of 68.5%. Public safety expenses represented 14.2% of total expenses, up from the prior year of 12.6%. Actual expenditures increased in all categories, except debt service, primarily due to employee benefits expenses due to recognition of pension and other postemployment benefit liabilities. No other expense types were greater than 10% of total expenses in 2021 or 2020.

Business-type Activities - Major revenue sources consist of revenue from user charges, which represented approximately 99.9% of total fiscal year 2021, which was up slightly from 99.2% in the prior year. Water expenses decreased nearly \$0.1 million, as operations were consistent with the prior year.

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

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$15.1 million. This represents an increase of nearly \$3.1 million over the previous year due to the issuance of nearly \$1.8 million debt in the public safety facility major fund, positive results in the community preservation major fund of over \$0.5 million and nearly \$0.6 million of investment appreciation in the nonmajor governmental funds. Of the ending fund balance approximately \$2.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$3.2 million, while total fund balance totaled nearly \$6.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 5.3% of total general fund expenditures, while total fund balance represents approximately 10.9% of that same amount.

The public safety facility fund was used as a funding source for the construction of a new public safety facility. The balance of this fund increased over \$1.9 million to \$27,532 as the Town issued nearly \$1.8 million of long-term debt.

The community preservation fund was used as a funding source for various projects eligible under states community preservation act. The balance of this fund increased over \$0.5 million, from approximately \$2.2 million to over \$2.7 million, as the funds' investment balances increased approximately \$0.5 million.

The capital project fund was used as a funding source for all other capital outlay not accounted for in the other major funds. The balance of this fund decreased nearly \$0.6 million from \$0.2 million to a deficit of under \$0.4 million as a result of capital outlays in the current year exceeding intergovernmental revenues, bond proceeds and net operating transfers.

The combined Nonmajor funds increased from prior year by approximately \$1.0 million. Fund balances at year end were approximately \$6.1 million. This was mainly due to nearly \$0.6 million of unspent trust fund investment earnings.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2021, net position of the water enterprise fund was approximately \$11.2 million, which represents an increase of approximately \$0.4 million from the prior year. The increase was primarily due to revenues exceeding estimates by approximately \$0.5 million.

General Fund Budgetary Highlights

The final amended budget was unchanged however the budgets for individual functions and transfers were affected by subsequent appropriations. The schedule of budgetary information, which summarizes these changes, is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to approximately \$98.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects a decrease of approximately \$1.9 million due to depreciation exceeding capital additions. The majority of the Town's capital expenditures were for library renovations, school boilers and the construction of a public safety facility. The Town is also funding variance community preservation, water infrastructure and other projects.

Additional information on the Town capital assets can be found Note II. Subsection D of this report.

Long-term Debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of approximately \$31.9 million. Of this amount approximately \$28.6 million represents debt of the governmental activities and approximately \$3.3 million represents general obligation bonds of business-type activities.

The Town's total debt balance, including unamortized bond premiums, remained consistent with the prior year. During the fiscal year the Town issued over \$2.6 million of governmental activities debt, over \$0.3 million of governmental activities refunding bonds and nearly \$0.3 million of business-type activity refunding bonds. debt and refunded approximately \$4.1 million of governmental activities debt. Regular scheduled maturities of governmental activities and business-type activities debt totaled approximately \$2.7 million and \$0.6 million, respectively. The remaining changes relate to unamortized bond premiums.

The Town maintains a bond rating of "AAA" as set by Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$139 million, which is in excess of the Town's outstanding general obligation debt.

The Town also holds a proportionate share of debt of other governmental units that provide services to the Town. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in Notes II. Subsection F and G of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town's real estate tax base is made up predominantly of residential taxes, which comprise over 80% of the Town's real estate tax base. The Town also relies to a much lesser extent on its commercial and industrial real estate tax base, which in aggregate comprise over 17% of the Town's real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy. This limit may be exceeded through a majority vote at Board of Selectmen along with ballot approval.
- The Town's property values have been steadily increasing over the past several years. Property values are at all-time highs in many Town neighborhoods and the Town's equalized valuation is approximately \$2.8 billion.
- The Town's unemployment rate remains stable, however unemployment rates throughout the Commonwealth and the nation are near historic highs due to the impact of the COVID-19 pandemic.
- The Town anticipates receiving approximately \$50,000 more state aid for 2022 as in the previous fiscal year based on state budget estimates.

The above items were considered when the Town developed its budget for fiscal year 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Department, 17 Common Street, Southborough, Massachusetts, 01772.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,230,098	\$ 2,725,684	\$ 16,955,782
Investments	6,189,973	-	6,189,973
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	243,462	-	243,462
Tax Title	251,956	-	251,956
User fees	-	774,129	774,129
Departmental and other	783,043	-	783,043
Intergovernmental	1,744,119	-	1,744,119
Tax foreclosures	200,832	-	200,832
Capital assets, not being depreciated	22,446,716	109,975	22,556,691
Capital assets, net of accumulated depreciation	<u>61,801,676</u>	<u>12,432,474</u>	<u>74,234,150</u>
Total Assets	<u>107,891,875</u>	<u>16,042,262</u>	<u>123,934,137</u>
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	13,549,959	172,909	13,722,868
Related to net pension liability	<u>2,051,093</u>	<u>73,511</u>	<u>2,124,604</u>
Total Deferred Outflows of Resources	<u>15,601,052</u>	<u>246,420</u>	<u>15,847,472</u>
Liabilities			
Warrants and accounts payable	1,676,693	26,560	1,703,253
Accrued payroll and withholdings	1,992,280	-	1,992,280
Accrued interest	124,294	15,730	140,024
Performance Bonds	116,515	-	116,515
Unearned revenue	545,966	-	545,966
Bond anticipation notes payable	1,590,180	-	1,590,180
Long-term liabilities:			
Due within one year	3,072,364	361,686	3,434,050
Due in more than one year	<u>100,643,200</u>	<u>4,512,816</u>	<u>105,156,016</u>
Total Liabilities	<u>109,761,492</u>	<u>4,916,792</u>	<u>114,678,284</u>
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	6,013,395	76,735	6,090,130
Related to net pension liability	<u>2,148,122</u>	<u>76,989</u>	<u>2,225,111</u>
Total Deferred Inflows of Resources	<u>8,161,517</u>	<u>153,724</u>	<u>8,315,241</u>
Net Position			
Net investment in capital assets	55,262,101	9,288,041	64,550,142
Restricted:			
Nonexpendable permanent funds	567,857	-	567,857
Expendable permanent funds	2,298,868	-	2,298,868
Community preservation	2,761,619	-	2,761,619
Federal and State grants	1,430,910	-	1,430,910
Other Purposes	1,829,715	-	1,829,715
Unrestricted	<u>(58,581,152)</u>	<u>1,930,125</u>	<u>(56,651,027)</u>
Total Net Position	<u>\$ 5,569,918</u>	<u>\$ 11,218,166</u>	<u>\$ 16,788,084</u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
<i>Governmental Activities:</i>								
General government	\$ 6,811,847	\$ 665,459	\$ 392,030	\$ -	\$ (5,754,358)		\$ (5,754,358)	
Public safety	9,811,505	2,810,286	144,847	-	(6,856,372)		(6,856,372)	
Education	43,915,574	58,545	10,983,206	762,884	(32,110,939)		(32,110,939)	
Public works	4,325,049	86,299	-	-	(4,238,750)		(4,238,750)	
Health and human services	1,416,256	487,355	52,258	-	(876,643)		(876,643)	
Culture and recreation	2,120,354	580,304	241,721	-	(1,298,329)		(1,298,329)	
Interest expense	871,670	-	220,198	-	(651,472)		(651,472)	
Total Governmental Activities	<u>69,272,255</u>	<u>4,688,248</u>	<u>12,034,260</u>	<u>762,884</u>	<u>(51,786,863)</u>		<u>(51,786,863)</u>	
<i>Business-Type Activities:</i>								
Water	2,515,436	2,860,363	-	-	\$ 344,927		344,927	
Total Business-type Activities	<u>2,515,436</u>	<u>2,860,363</u>	<u>-</u>	<u>-</u>	<u>344,927</u>		<u>344,927</u>	
Total Primary Government	<u>\$ 71,787,691</u>	<u>\$ 7,548,611</u>	<u>\$ 12,034,260</u>	<u>\$ 762,884</u>	<u>(51,786,863)</u>	<u>344,927</u>	<u>(51,441,936)</u>	
<i>General Revenues:</i>								
Real and personal property taxes			45,496,766		-		45,496,766	
Motor vehicle and other excise			2,388,867		-		2,388,867	
Grants and contributions not restricted to specific programs			512,301		-		512,301	
Penalties and interest on taxes			152,514		-		152,514	
Unrestricted investment income			1,245,213		3,637		1,248,850	
Transfers (net)			(4,424)		4,424		-	
Total General Revenues and Transfers			<u>49,791,237</u>		<u>8,061</u>		<u>49,799,298</u>	
Change in Net Position			(1,995,626)		352,988		(1,642,638)	
<i>Net Position:</i>								
Beginning of year, as restated (see Note IV)			<u>7,565,544</u>		<u>10,865,178</u>		<u>18,430,722</u>	
End of year			<u>\$ 5,569,918</u>		<u>\$ 11,218,166</u>		<u>\$ 16,788,084</u>	

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General	Public Safety Facility	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 9,291,237	\$ 27,532	\$ 72,075	\$ 1,216,390	\$ 3,622,864	\$ 14,230,098
Investments	633,603	-	2,689,544	-	2,866,826	6,189,973
Receivables, net of allowance for uncollectibles:						
Real estate and personal property taxes	240,920	-	2,542	-	-	243,462
Tax liens and deferrals	251,956	-	-	-	-	251,956
Departmental and other	207,991	-	-	-	575,052	783,043
Intergovernmental	1,401,490	-	-	-	342,629	1,744,119
Tax foreclosures	200,463	-	369	-	-	200,832
Total Assets	12,227,660	27,532	2,764,530	1,216,390	# 7,407,371	23,643,483
Deferred Outflows of Resources						
Total Assets and Deferred Outflows of Resources	\$ 12,227,660	\$ 27,532	\$ 2,764,530	\$ 1,216,390	\$ 7,407,371	\$ 23,643,483
Liabilities:						
Warrants and accounts payable	\$ 1,224,154	\$ -	\$ -	\$ -	\$ 452,539	\$ 1,676,693
Accrued payroll and withholdings	1,992,280	-	-	-	-	1,992,280
Performance bonds	116,515	-	-	-	-	116,515
Bond anticipation notes payable	-	-	-	1,590,180	-	1,590,180
Unearned revenue	11,686	-	-	-	534,280	545,966
Total Liabilities	3,344,635	-	-	1,590,180	986,819	5,921,634
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	492,876	-	2,542	-	-	495,418
Unavailable revenues - excise taxes	207,991	-	-	-	-	207,991
Unavailable revenues - intergovernmental	1,401,490	-	-	-	-	1,401,490
Unavailable revenues - other	200,463	-	369	-	293,202	494,034
Total Deferred Inflows of Resources	2,302,820	-	2,911	-	293,202	2,598,933
Fund Balances:						
Nonspendable	-	-	-	-	567,857	567,857
Restricted	6,031	27,532	2,761,619	-	6,159,526	8,954,708
Committed	1,049,638	-	-	-	-	1,049,638
Assigned	2,317,109	-	-	-	-	2,317,109
Unassigned	3,207,427	-	-	(373,790)	(600,033)	2,233,604
Total Fund Balances	6,580,205	27,532	2,761,619	(373,790)	6,127,350	15,122,916
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,227,660	\$ 27,532	\$ 2,764,530	\$ 1,216,390	\$ 7,407,371	\$ 23,643,483

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Governmental Fund Balances	\$ 15,122,916
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	84,248,392
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	2,598,933
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment benefits liability	13,549,959
Deferred outflows related to net pension liability	2,051,093
Deferred inflows related to net other postemployment benefits liability	(6,013,395)
Deferred inflows related to net pension liability	<u>(2,148,122)</u>
Net effect of reporting deferred outflows and inflows of resources	7,439,535
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This represents the difference between the accruals between this year and the prior year.	(124,294)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(27,383,248)
Unamortized premiums on bonds	(1,229,253)
Claims and judgements	(450,189)
Compensated absences	(455,069)
Net pension liability	(27,674,868)
Net other postemployment benefits liability	<u>(46,522,937)</u>
Net effect of reporting long-term liabilities	<u>(103,715,564)</u>
Net Position of Governmental Activities	<u>\$ 5,569,918</u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021

	General	Public Safety Facility	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real and personal property taxes	\$ 45,072,352	\$ -	\$ 376,523	\$ -	\$ -	\$ 45,448,875
Intergovernmental	10,692,586	-	104,523	200,930	2,757,540	13,755,579
Motor vehicle and other excises	2,311,407	-	-	-	-	2,311,407
Licenses and permits	1,127,709	-	-	-	-	1,127,709
Departmental and other	548,210	-	-	-	2,823,266	3,371,476
Contributions and donations	-	-	-	-	254,611	254,611
Penalties and interest on taxes	152,514	-	-	-	-	152,514
Fines and forfeitures	64,205	-	-	-	-	64,205
Investment income	94,797	-	566,689	-	583,727	1,245,213
Total Revenues	60,063,780	-	1,047,735	200,930	6,419,144	67,731,589
Expenditures:						
Current:						
General government	4,026,059	-	325,455	-	478,062	4,829,576
Public safety	4,876,195	87,604	-	-	1,580,507	6,544,306
Education	29,387,801	-	-	854,952	1,934,214	32,176,967
Public works	2,417,740	-	-	-	297,867	2,715,607
Health and human services	740,309	-	-	-	272,590	1,012,899
Culture and recreation	675,553	-	-	787,957	474,420	1,937,930
Pension and fringe benefits	14,628,277	-	-	-	-	14,628,277
State and county tax assessments	256,485	-	-	-	-	256,485
Debt service:						
Principal	2,352,547	-	50,000	-	-	2,402,547
Interest	1,003,818	-	35,437	-	-	1,039,255
Total Expenditures	60,364,784	87,604	410,892	1,642,909	5,037,660	67,543,849
Excess (Deficiency) of Revenues Over (Under) Expenditures	(301,004)	(87,604)	636,843	(1,441,979)	1,381,484	187,740
Other Financing Sources (Uses)						
Transfers in	528,231	-	-	95,004	108,853	732,088
Transfers out	-	-	(95,004)	(108,853)	(532,655)	(736,512)
Issuance of bonds and notes	-	1,797,400	-	812,200	-	2,609,600
Issuance of refunding bonds	315,992	-	-	-	-	315,992
Payments on refunding bonds	(357,370)	-	-	-	-	(357,370)
Premiums on bonds and notes	51,603	202,600	-	88,508	-	342,711
Total Other Financing Sources (Uses)	538,456	2,000,000	(95,004)	886,859	(423,802)	2,906,509
Net Change in Fund Balances	237,452	1,912,396	541,839	(555,120)	957,682	3,094,249
Fund Balances (Deficit), Beginning, as restated (see Note IV)	6,342,753	(1,884,864)	2,219,780	181,330	5,169,668	12,028,667
Fund Balances (Deficit), Ending	\$ 6,580,205	\$ 27,532	\$ 2,761,619	\$ (373,790)	\$ 6,127,350	\$ 15,122,916

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Fund Balances	\$ 3,094,249
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, when a capital asset is disposed of, a gain or loss is calculated and reported in the Statement of Activities whereas in the governmental funds, proceeds are reported as revenues. The net amounts are reflected here as reconciling items:

Capital outlays	\$ 2,110,695
Depreciation expense	<u>(3,630,973)</u>

Net effect of reporting capital assets	(1,520,278)
--	-------------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Repayments of debt	2,402,547
Payments on refunded debt	357,370
Amortization of premiums from issuance of bonds and notes	190,470
Premiums from issuance of bonds and notes	<u>(342,711)</u>
Issuance of bonds and notes	(2,609,600)
Issuance of refunding bonds	<u>(315,992)</u>

Net effect of reporting long-term debt	(317,916)
--	-----------

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.

(450,536)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

(22,884)

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

Compensated absences	140,385
Other postemployment benefits	<u>(2,066,225)</u>
Pension benefits	(1,070,829)
Claims and judgements	<u>218,408</u>

Net effect of reporting long-term liabilities	<u>(2,778,261)</u>
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Change in Net Position of Governmental Activities	\$ (1,995,626)
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See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Business-type Activities - Enterprise Funds	Water Enterprise
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 2,725,684	
Receivables (net)		
User fees	774,129	
Total Current Assets	<u>3,499,813</u>	
Noncurrent Assets:		
Capital assets, not being depreciated	109,975	
Capital assets, net of accumulated depreciation	<u>12,432,474</u>	
Total Noncurrent Assets	<u>12,542,449</u>	
Total Assets	<u>16,042,262</u>	
Deferred Outflows of Resources:		
Related to net other postemployment benefits liability	172,909	
Related to net pension liability	<u>73,511</u>	
Total Deferred Outflows of Resources	<u>246,420</u>	
Liabilities:		
Current Liabilities:		
Warrants and accounts payable	26,560	
Accrued Interest	15,730	
Compensated absences	17,278	
Bonds and notes payable	<u>344,408</u>	
Total Current Liabilities	<u>403,976</u>	
Noncurrent Liabilities:		
Compensated absences	17,278	
Bonds and notes payable	2,910,000	
Net pension liability	991,869	
Net other postemployment benefits liability	<u>593,669</u>	
Total Noncurrent Liabilities	<u>4,512,816</u>	
Total Liabilities	<u>4,916,792</u>	
Deferred Inflows of Resources:		
Related to net other postemployment benefits liability	76,735	
Related to net pension liability	<u>76,989</u>	
Total Deferred Inflows of Resources	<u>153,724</u>	
Net Position:		
Net investment in capital assets	9,288,041	
Unrestricted	<u>1,930,125</u>	
Total Net Position	<u>\$ 11,218,166</u>	

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021**

	Business-type Enterprise Funds
	Water
	Enterprise
Operating Revenues:	
Charges for services	\$ 2,860,363
	<hr/>
Total Operating Revenues	2,860,363
Operating Expenses:	
Operating costs	1,868,254
Depreciation	523,172
	<hr/>
Total Operating Expenses	2,391,426
	<hr/>
Total Operating Income	468,937
Nonoperating Revenues (Expenses):	
Interest expense	(124,010)
Interest income	3,637
	<hr/>
Total Nonoperating Revenues (Expenses)	(120,373)
	<hr/>
Income Before Capital Contributions and Transfers	348,564
	<hr/>
Transfers in	4,424
	<hr/>
Change in Net Position	352,988
	<hr/>
Net Position at Beginning of Year, as restated (see Note IV)	10,865,178
	<hr/>
Net Position at End of Year	\$ 11,218,166

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Business-type Activities - <u>Enterprise Funds</u>
	Water <u>Enterprise</u>
Cash Flows from Operating Activities:	
Receipts from users	\$ 2,938,578
Payments to vendors	(1,399,134)
Payments to employees	(412,851)
Net Cash Provided by Operating Activities	<u>1,126,593</u>
Cash Flows from Noncapital Financing Activities:	
Transfers in	4,424
Net Cash Provided by Noncapital Financing Activities	<u>4,424</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of refunding bonds	254,408
Proceeds from bond premiums	1,901
Acquisition and construction of capital assets	(190,368)
Principal payments on bonds and notes	(350,000)
Payments on refunded bonds	(286,901)
Interest expense	(125,211)
Net Cash Used for Capital and Related Financing Activities	<u>(696,171)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	3,637
Net Cash Provided by Investing Activities	<u>3,637</u>
Net Change in Cash and Cash Equivalents	438,483
Cash and Cash Equivalents:	
Beginning of Year	<u>2,287,201</u>
End of Year	<u>\$ 2,725,684</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ 468,937
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	523,172
Changes in assets, deferred outflows, liabilities and deferred inflows:	
User fees receivable	78,215
Deferred outflows of resources	(160,282)
Accounts payable and accrued expenses	(3,230)
Compensated absences	(4,098)
Net pension liability	1,048
Net other postemployment benefits liability	196,269
Deferred inflows of resources	26,562
Net Cash Provided by Operating Activities	<u>\$ 1,126,593</u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Other Postemployment Benefits Trust Funds	Private Purpose Trust Funds
Assets:		
Cash and Cash Equivalents	<u>\$</u> -	<u>\$</u> -
Investments (at fair value):		
Fixed income mutual funds	505,260	-
Equities	181,773	-
Equity mutual funds	<u>2,027,599</u>	<u>2,077,662</u>
Total Investments	<u>2,714,632</u>	<u>2,077,662</u>
Total Assets	<u>2,714,632</u>	<u>2,077,662</u>
Liabilities:		
Other liabilities	-	-
Total Liabilities	-	-
Net Position:		
Restricted for other postemployment benefits	2,714,632	-
Held in trust for private purposes	<u>-</u>	<u>2,077,662</u>
Total Net Position	<u>\$ 2,714,632</u>	<u>\$ 2,077,662</u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Other Postemployment Benefits Trust Funds	Private Purpose Trust Funds
Additions:		
Employer contributions	\$ 1,708,469	\$ -
Other	-	3,512
Total contributions	<u>1,708,469</u>	<u>3,512</u>
Investment income	<u>609,270</u>	<u>469,968</u>
Total Additions	<u>2,317,739</u>	<u>473,480</u>
Deductions:		
Benefits and payments to pensioners and beneficiaries	1,458,469	-
Health and human services	-	24,313
Total Deductions	<u>1,458,469</u>	<u>24,313</u>
Change in Net Position	859,270	449,167
Net Position - Beginning, as restated (see Note IV)	<u>1,855,362</u>	<u>1,628,495</u>
Net Position - Ending	<u><u>\$ 2,714,632</u></u>	<u><u>\$ 2,077,662</u></u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Southborough is located in Worcester County and was incorporated as a town in 1727. An elected five-member Board of Selectmen governs the Town with an appointed Town Manager. The Town provides governmental services for the territory within its boundaries, including police and fire protection, highway services, water, street maintenance, parks and recreational facilities. Water services are funded almost entirely with user charges.

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

The Town is a member community of the Algonquin Regional High School that provides educational services to students from the Towns of Southborough and Northborough. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2021, the Town's share of the operating and debt service expenses was \$7,766,842. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 53 Parkerville Road, Southborough, MA 01772.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

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

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

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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

Public Safety Facility Fund – is used to account for the purchase of land and construction of a new public safety facility.

Community Preservation Fund – is used to account for funds received in accordance with the Massachusetts Community Preservation Act. Funds are used to acquire or develop open space, recreational facilities, historic resources and affordable housing.

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

The *Nonmajor Governmental Funds* consist of other special revenue and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – is used to account for user charges collected to finance costs associated with operating and maintaining the Town's water utility.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for needy persons funds.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the Town are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water user fees and betterments may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than five years old. Departmental and other receivables are shown net of an allowance for uncollectible accounts comprised of those outstanding amounts greater than ninety days old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, library materials and infrastructure (e.g. roads, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Land improvements	10-30 years
Buildings and improvements	7-40 years
Machinery, equipment and vehicles	5-10 years
Infrastructure	20-100 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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

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

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items, which qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, excise taxes, intergovernmental and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts became available. The other types of items that qualify for reporting as a deferred inflow are reported on the government-wide statement of net position. This relates to inflows from changes in the net pension liability which will be recognized in pension expense in future years as more fully described in Note III subsection A and inflows from the changes in the net other postemployment benefits liability which will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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

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

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

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space, recreational facilities, historic resources and affordable housing associated with the Massachusetts Community Preservation Act.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

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

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

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

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

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

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Manager to assign fund balance. The Board of Selectmen may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

Stabilization Fund – The Town maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B. The fund may be used for any municipal purpose upon the condition of a two-thirds vote of the Town Meeting. The balance of the fund totals \$633,603 at June 30, 2021 and is reported as unassigned fund balance in the General Fund. Amounts are appropriated into the fund by a majority vote of the Town Meeting.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Manager as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$644,785 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,049,638 of encumbrances from Town Meeting votes in the general fund as committed. There are no encumbrances reported in any other fund.

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

	General	Public Safety Facility	Community Preservation	Capital Projects	Governmental Funds	Total
Nonspendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 567,857	\$ 567,857
Restricted:						
General government	-	-	-	-	155,614	155,614
Public safety	-	-	-	-	618,847	618,847
Education	-	-	-	-	1,557,250	1,557,250
Public works	-	-	-	-	815,240	815,240
Health and human services	-	27,532	-	-	59,584	87,116
Culture and recreation	-	-	2,761,619	-	2,874,672	5,636,291
Debt service	6,031	-	-	-	78,319	84,350
Committed:						
General government	262,046	-	-	-	-	262,046
Public safety	2,309	-	-	-	-	2,309
Pension benefits	102,936	-	-	-	-	102,936
Public works	682,347	-	-	-	-	682,347
Assigned:						
General government	2,495	-	-	-	-	2,495
Public safety	10,649	-	-	-	-	10,649
Education	599,490	-	-	-	-	599,490
Public works	26,504	-	-	-	-	26,504
Health and human services	647	-	-	-	-	647
Personnel and fringe benefits	5,000	-	-	-	-	5,000
Subsequent year's budget	1,672,324	-	-	-	-	1,672,324
Unassigned	<u>3,207,427</u>	<u>-</u>	<u>-</u>	<u>(373,790)</u>	<u>(600,033)</u>	<u>2,233,604</u>
Totals	<u>\$ 6,580,205</u>	<u>\$ 27,532</u>	<u>\$ 2,761,619</u>	<u>\$ (373,790)</u>	<u>\$ 6,127,350</u>	<u>\$ 15,122,916</u>

D. Excess of Expenditures Over Appropriations and Deficits

During fiscal year 2021, expenditures exceeded appropriations for state and county charges by \$22,296 in the General Fund which was funded through available funds during the fiscal year.

The Town incurred individual fund deficits totaling \$373,790 and \$600,033 in the Capital Projects major fund and the nonmajor governmental funds, respectively. These deficits will be funded through grants, bond proceeds and available funds in future fiscal years.

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust ("the MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings.

At year-end, the carrying amount of the Town's deposits was \$16,698,311 and the bank balance was \$16,852,082. Of the Town's bank balance, \$13,648,902 was covered by either federal depository insurance or by the depositors' insurance fund and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings.

The Town's investments in equities, bonds and mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town's common stock investments totaling are not exposed to custodial credit risk because they are held with the Town. The Town's investments in negotiable certificates of deposit are fully insured by federal depository insurance. The Town does not have a formal investment policy related to custodial credit risk.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

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

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

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2021:

	Fair Value Measurements Using			
	Fair value	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Corporate fixed income securities	226,470	\$ -	\$ 226,470	\$ -
U.S. government obligations	105,636	61,023	44,614	-
Fixed income mutual funds	2,550,393	-	2,550,393	-
Negotiable certificates of deposit	107,968	-	107,968	-
Total debt securities	<u>2,990,467</u>	<u>61,023</u>	<u>2,929,445</u>	-
Equity securities:				
Common stock	390,500	390,500	-	-
Equity mutual funds	<u>7,601,299</u>	-	<u>7,601,299</u>	-
Total equity securities	<u>7,991,799</u>	<u>390,500</u>	<u>7,601,299</u>	-
Total investments by fair value level	<u>\$ 10,982,267</u>	<u>\$ 451,523</u>	<u>\$ 10,530,744</u>	<u>\$ -</u>
Investments measured at amortized cost				
State investment pool (MMDT)	209,070			
Money market mutual funds	<u>48,401</u>			
Total investments	<u><u>\$ 11,239,738</u></u>			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Corporate fixed income securities, U.S government obligations, negotiable certificates of deposit and mutual funds classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

The State Treasurer's investment pool (MMDT) is valued at amortized cost. The MMDT's investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool. There are no restrictions or limits on withdrawals from the pool and no direct fees are charged to participants.

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

At June 30, 2021, the Town had the following investments with maturities:

Investments	Fair value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
Corporate fixed income securities	\$ 226,470	\$ 46,568	\$ 165,136	\$ 14,766
U.S. government obligations	105,636	31,017	74,619	-
Fixed income mutual funds	2,550,393	2,550,393	-	-
Negotiable certificates of deposit	107,968	35,792	72,176	-
Total investments with maturities	<u>\$ 2,990,467</u>	<u>\$ 2,663,770</u>	<u>\$ 311,931</u>	<u>\$ 14,766</u>

Concentration of Credit Risk – The Town does not have an investment policy that limits the amount that can be invested in any one issuer or security. The Town does not maintain investments in a single issuer that represent more than 5% of its total investments.

Credit Risk – The Town does not have an investment policy which would limit its investment choices as to credit risk

At June 30, 2021, the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	Corporate Fixed Income	U.S. Government Obligations	Fixed Income Mutual Funds	Negotiable Certificates of Deposit	Totals
AAA	\$ -	\$ 105,636	\$ -	\$ -	\$ 105,636
A2	83,290	-	-	-	83,290
A3	25,665	-	-	-	25,665
BAA1	87,856	-	-	-	87,856
BAA2	29,660	-	-	-	29,660
Not rated	-	-	2,550,393	107,968	2,658,361
Totals - All	<u>\$ 226,470</u>	<u>\$ 105,636</u>	<u>\$ 2,550,393</u>	<u>\$ 107,968</u>	<u>\$ 2,990,467</u>

B. Receivables

Receivables as of year-end for the Town's individual major 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
Receivables:			
Real estate and personal property taxes	\$ 176,497	\$ -	\$ 176,497
Community preservation surcharges	1,283	-	1,283
Excise	207,991	-	207,991
Tax liens and deferrals	317,638	-	317,638
Title V loans	35,662	-	35,662
Ambulance fees	429,234	(171,694)	257,540
Public safety details	281,850	-	281,850
Intergovernmental	<u>1,744,119</u>	<u>-</u>	<u>1,744,119</u>
Total	<u>\$ 3,194,274</u>	<u>\$ (171,694)</u>	<u>\$ 3,022,580</u>

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water - user fees	\$ 774,129	\$ -	\$ 774,129
Total	<u>\$ 774,129</u>	<u>\$ -</u>	<u>\$ 774,129</u>

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. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 492,876	\$ -	\$ 492,876
Community preservation surcharges	-	1,283	1,283
Excise	207,991	-	207,991
Tax liens and deferrals	-	1,259	1,259
Title V loans	-	35,662	35,662
Ambulance fees	-	257,540	257,540
Intergovernmental	1,401,490	-	1,401,490
Foreclosures	200,463	369	200,832
Total	\$ 2,302,820	\$ 296,113	\$ 2,598,933

School Building Assistance Reimbursement – As of June 30, 2021, the Town expects to receive the balance of grants from the Commonwealth of Massachusetts under various construction reimbursement regulations totaling approximately \$1,841,886 applicable to approved school construction costs which includes both principal and interest. These costs are reimbursed to the Town in equal installments over the life of the related bond issues and are subject to appropriation only by the State Legislature. In the Governmental funds, a receivable of approximately \$1,401,490 under the caption Intergovernmental has been recorded for the reimbursable portion of the principal balance as of June 30, 2021.

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2021, are as follows:

Transfers Out	Transfers In				
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Total
Community Preservation Fund	\$ -	\$ 95,004	\$ -	\$ -	\$ 95,004 (1)
Capital Projects Fund	-	-	108,853	-	108,853 (2)
Nonmajor Governmental Funds	528,231	-	-	4,424	532,655 (3)
Total	\$ 528,231	\$ 95,004	\$ 108,853	\$ 4,424	\$ 736,512

(1) Transfers to capital projects fund for library capital outlay.

(2) Transfers to nonmajor governmental funds for boiler replacement.

(3) Transfers to general fund to supplement operating budgets and transfers to water enterprise for bond premiums.

D. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 22,446,716	\$ -	\$ -	\$ 22,446,716
Total capital assets not being depreciated	<u>22,446,716</u>	<u>-</u>	<u>-</u>	<u>22,446,716</u>
Capital assets being depreciated:				
Buildings and improvements	81,293,988	1,508,192	-	82,802,180
Infrastructure	21,860,559	260,064	-	22,120,623
Machinery, equipment and vehicles	<u>12,254,876</u>	<u>342,439</u>	<u>-</u>	<u>12,597,315</u>
Total capital assets being depreciated	<u>115,409,423</u>	<u>2,110,695</u>	<u>-</u>	<u>117,520,118</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,512,455)	(2,161,755)	-	(32,674,210)
Infrastructure	(14,191,729)	(599,804)	-	(14,791,533)
Machinery, equipment and vehicles	<u>(7,383,285)</u>	<u>(869,414)</u>	<u>-</u>	<u>(8,252,699)</u>
Total accumulated depreciation	<u>(52,087,469)</u>	<u>(3,630,973)</u>	<u>-</u>	<u>(55,718,442)</u>
Total capital assets being depreciated, net	<u>63,321,954</u>	<u>(1,520,278)</u>	<u>-</u>	<u>61,801,676</u>
Total governmental activities capital assets, net	<u>\$ 85,768,670</u>	<u>\$ (1,520,278)</u>	<u>\$ -</u>	<u>\$ 84,248,392</u>
<u><i>Business-type Activities: Water</i></u>				
Capital assets not being depreciated:				
Land	\$ 109,975	\$ -	\$ -	\$ 109,975
Total capital assets not being depreciated	<u>109,975</u>	<u>-</u>	<u>-</u>	<u>109,975</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,111,850	\$ 51,007	\$ -	\$ 1,162,857
Infrastructure	23,104,777	92,444	-	23,197,221
Machinery, equipment and vehicles	<u>933,871</u>	<u>46,917</u>	<u>-</u>	<u>980,788</u>
Total capital assets being depreciated	<u>25,150,498</u>	<u>190,368</u>	<u>-</u>	<u>25,340,866</u>
Less accumulated depreciation for:				
Buildings and improvements	(666,336)	(16,786)	-	\$ (683,122)
Infrastructure	(11,087,472)	(438,584)	-	(11,526,056)
Machinery, equipment and vehicles	<u>(631,412)</u>	<u>(67,802)</u>	<u>-</u>	<u>(699,214)</u>
Total accumulated depreciation	<u>(12,385,220)</u>	<u>(523,172)</u>	<u>-</u>	<u>(12,908,392)</u>
Total capital assets being depreciated, net	<u>12,765,278</u>	<u>(332,804)</u>	<u>-</u>	<u>12,432,474</u>
Total business-type activities capital assets, net	<u>\$ 12,875,253</u>	<u>\$ (332,804)</u>	<u>\$ -</u>	<u>\$ 12,542,449</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 41,548	Water	\$ 523,172
Health and human services	30,197		\$ 523,172
Culture and recreation	204,741		
Education	1,512,152		
Public safety	902,272		
Public works	940,063		
	<u>\$ 3,630,973</u>		

F. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

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

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively.

Temporary notes outstanding at June 30, 2021, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	2.00%	matured	\$ 3,500,040		\$ (3,500,040)	\$ -
BAN	1.00%	12/27/21	-	1,590,180	-	1,590,180
Total Governmental Notes			<u>3,500,040</u>	<u>1,590,180</u>	<u>(3,500,040)</u>	<u>1,590,180</u>
Total Temporary Notes Payable			<u>\$ 3,500,040</u>	<u>\$ 1,590,180</u>	<u>\$ (3,500,040)</u>	<u>\$ 1,590,180</u>

BAN's outstanding at year end were issued for a fire truck (\$600,000) and school boilers (\$990,180).

G. Long-Term Debt

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

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

The following reflects the current year activity in the Town's long-term liability accounts:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 26,895,000	\$ 2,925,592	\$ (2,705,000)	27,115,592	\$ 2,455,592
Unamortized bond premium	1,047,655	291,108	(109,510)	1,229,253	125,308
Notes from direct borrowings and placements	320,203	-	(52,547)	267,656	30,078
Claims and judgements	668,597	-	(218,408)	450,189	222,843
Compensated absences	595,454	157,342	(297,727)	455,069	227,535
Net pension liability	27,645,638	5,217,443	(5,188,213)	27,674,868	-
Net other postemployment benefits liability	31,126,458	23,096,815	(7,700,336)	46,522,937	-
Total Governmental Activities	\$ 88,299,005	\$ 31,688,300	\$ (16,271,741)	\$ 103,715,564	\$ 3,061,356
<i>Business-type Activities: Water</i>					
General obligation bonds	\$ 3,635,000	\$ 254,408	\$ (635,000)	3,254,408	\$ 344,408
Unamortized bond premium	-	-	-	-	-
Compensated absences	38,654	15,229	(19,327)	34,556	17,278
Net pension liability	990,822	186,993	(185,946)	991,869	-
Net other postemployment benefits liability	397,400	295,664	(99,395)	593,669	-
Total Business-type Activities: Water	\$ 5,061,876	\$ 752,294	\$ (939,668)	\$ 4,874,502	\$ 361,686

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

The following is a summary of outstanding long-term debt obligations as of June 30, 2021:

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 23,755,000	\$ 2,609,600	\$ (1,645,000)	\$ 24,719,600
Refunding Bonds	2.00 - 5.00%	3,140,000	315,992	(1,060,000)	2,395,992
Total General Obligation Bonds		26,895,000	2,925,592	(2,705,000)	27,115,592
Add: Unamortized bond premium		1,047,655	291,108	(109,510)	1,229,253
Total General Obligation Bonds, net		27,942,655	3,216,700	(2,814,510)	28,344,845
Massachusetts Clean Water Trust	0.00%	320,203	-	(52,547)	267,656
Total notes from direct borrowings and placements		320,203	-	(52,547)	267,656
Total Governmental Activities debt		\$ 28,262,858	\$ 3,216,700	\$ (2,867,057)	\$ 28,612,501
<i>Business-Type Activities - Water</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 3,635,000	\$ -	\$ (635,000)	\$ 3,000,000
Refunding Bonds	5.00%	-	254,408	-	254,408
Total General Obligation Bonds		3,635,000	254,408	(635,000)	3,254,408
Add: Unamortized bond premium		-	-	-	-
Total General Obligation Bonds, net		3,635,000	254,408	(635,000)	3,254,408
Total Business-type Activities - Water debt		\$ 3,635,000	\$ 254,408	\$ (635,000)	\$ 3,254,408

Payments on long-term debt due in future years consist of the following:

Year Ending June 30	General Obligation Bonds			Direct Borrowings and Placements		
	Principal	Interest	Principal	Interest		
<i><u>Governmental Activities</u></i>						
2022	\$ 2,455,592	\$ 984,102	\$ 30,078	\$ 523		
2023	2,335,000	882,088	30,097	392		
2024	1,078,000	786,113	30,116	262		
2025	960,000	732,161	31,464	98		
2026	985,000	684,163	27,547	-		
2027-2031	4,792,000	2,728,440	93,015	-		
2032-2036	5,135,000	1,882,783	25,339	-		
2037-2041	5,445,000	1,121,925	-	-		
2042-2046	3,665,000	327,400	-	-		
2047	265,000	9,275	-	-		
Total	<u>\$ 27,115,592</u>	<u>\$ 10,138,448</u>	<u>\$ 267,656</u>	<u>\$ 1,275</u>		
<i><u>Business-Type Activities: Water</u></i>						
2022	\$ 344,408	\$ 111,525	\$ -	\$ -		
2023	345,000	97,890	-	-		
2024	342,000	82,515	-	-		
2025	340,000	69,065	-	-		
2026	220,000	55,665	-	-		
2027-2031	943,000	189,170	-	-		
2032-2035	720,000	56,025	-	-		
Total	<u>\$ 3,254,408</u>	<u>\$ 661,855</u>	<u>\$ -</u>	<u>\$ -</u>		

Authorized and Unissued Debt - At June 30, 2021, the Town had authorized and unissued debt as follows:

Project	Amount
Land acquisition	\$ 2,172,000
Public safety building	118,500
Town house renovation	2,030,000
Fire tender	400,000
Total authorized and unissued	<u>\$ 4,720,500</u>

Current Refunding – On March 4, 2021, the Town issued general obligation refunding bonds of \$570,400, paying interest at a rate of 5% per annum. The proceeds, along with \$92,214 of premiums were used to retire \$640,000 of callable general obligation bonds. As a result of the current refunding, the Town reduced its total debt service requirements by \$63,623, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$61,262.

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to the Worcester Regional Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and administered by Worcester Regional Retirement Board (the “Board”). Standalone audited financial statements for the year ended December 31, 2020 were issued and may be obtained by writing to the Board at Worcester Regional Retirement System, 23 Midstate Drive, Auburn, MA 01501.

Membership – Membership in the System as of December 31, 2020, was as follows:

Retirees and beneficiaries currently receiving benefits	3,941
Active plan members	7,137
Inactive plan members	2,414
Total	<u>13,492</u>

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

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

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

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms during the year ended December 31, 2020.

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

The Town contributed \$2,170,625 to the System in fiscal year 2021, which equaled the actuarially-determined contribution requirement for the fiscal year.

Net Pension Liability – At June 30, 2021, the Town reported a liability of \$28,666,737 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These balances were updated by an independent actuary up to December 31, 2020.

The significant actuarial assumptions used in the January 1, 2020 actuarial valuation included:

Actuarial cost method	Entry Age Normal
Amortization method	Increasing dollar amount at 4%. Annual increase in appropriation is further limited to 9.95%
Remaining amortization period	16 years (2036), except for the 2002 and 2003 ERI which are 8 years (2028) and 2010 ERI which is 2 years
Asset valuation method	Market value
Investment rate of return / discount rate	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	Group 1: 4.25 - 6.00%, based on service Group 4: 4.75 - 7.00%, based on service
Inflation rate	2.2% per year
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018, set forward one year.

The System has the follow actuarial assumption changes for the year ended December 31, 2020:

Reduction of the discount rate from 7.65% to 7.50%

Reduction of the inflation rate from 2.40% to 2.20%

Change in the mortality tables from RP-2000 using Scale BB to RP-2014 Blue Collar using Scale MP-2018

No other actuarial assumptions and methods used in the January 1, 2020 valuation have changed since the last valuation. There were no material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 3.23% on December 31, 2020, which was consistent with the proportion measured at December 31, 2019.

Pension Expense – The Town recognized \$3,279,832 in pension expense in the statement of activities in fiscal year 2021.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,998	\$ 744,012
Net differences between projected and actual earnings on pension plan investments	-	1,481,099
Changes of assumptions	1,774,659	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	310,947	-
Total	<u>\$ 2,124,604</u>	<u>\$ 2,225,111</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year ended June 30,</u>		
2022	\$	214,768
2023		76,728
2024		(416,285)
2025		(36,447)
2026		60,729
Total	<u>\$</u>	<u>(100,507)</u>

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2020.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	39%	4.38%
Fixed Income	15%	0.05%
Value-Added Fixed Income	8%	4.00%
Private equity	13%	8.00%
Real Estate	10%	3.80%
Timber/Natural Resources	4%	4.40%
Hedge Funds	11%	3.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%, which represents a decrease from 7.65% in the prior year. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the Town's proportionate share of

the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate			
	Current Rate	1% Decrease	Current	1% Increase
Town proportionate share of net pension liability	7.50%	\$ 35,315,418	\$ 28,666,737	\$ 23,052,998

B. Massachusetts Teachers' Retirement System

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

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

For the year ended June 30, 2021, (measured as of June 30, 2020) the Commonwealth contributed \$2,756,178 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.178%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	Paid (or assumed)		
	Commonwealth	On Behalf	Town portion
	Portion	of the Town	
Net pension liability	50,645,674	50,645,674	-
Pension expense	6,255,466	6,255,466	-

The Town recognized \$6,255,466 in intergovernmental revenue and pension expense relative to this arrangement.

C. Other Postemployment Benefits (OPEB)

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

An employee shall become eligible to retire under this plan upon the completion of 10 years of creditable service and the attainment of age 55 as an active member or with 20 years of service regardless of age.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based insurance programs, and these include comprehensive medical insurance. The full cost of benefits is shared between the Town and retirees.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2021:

Active employees	349
Inactives currently receiving benefits	184
Total	<u>533</u>

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

Investment rate of return	5.65%
Single Equivalent Discount Rate	5.65%
Inflation	2.20%
Health Care Trend Rate	7.0%; trending down to 5.4%
Pre-Retirement Mortality - General and Public Safety Employees	RP-2014 Employees Mortality Table Scale MP 2108
Post-Retirement Mortality - General and Public Safety Employees	RP-2014 Employees Mortality Table Scale MP 2108

Key Changes in Assumptions – Discount rate was lowered from 6.5% to 5.65%. Other assumptions were also amended but were not significant.

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contributed 50% of the set premium for medical insurance during fiscal 2021. The remainder of the cost is funded from taxation.

The Town currently contributes enough money to the Plan to cover the annual costs in addition to \$250,000 per year towards the unfunded liability. The costs of administering the OPEB Plan are paid by the Town.

For the year ended June 30, 2021, the Town's average contribution rate was 7.1% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.65% which was based on the long-term investment rate of return.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Cash and equivalents	0.00%	0.00%
Domestic equity	34.00%	5.34%
International equity	22.00%	6.10%
Domestic fixed income	20.00%	1.62%
International fixed income	4.00%	1.62%
Alternatives	<u>20.00%</u>	4.21%
	<u><u>100.00%</u></u>	

Sensitivity Analyses – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability	5.65%	\$ 55,667,946	\$ 47,116,606	\$ 40,306,256
Health Care Rate				
Net OPEB Liability	Current Rate 7.0% trending to 4.0%	1% lower \$ 39,213,806	Current \$ 47,116,606	1% greater \$ 57,296,535

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 33,379,220	\$ 1,855,362	\$ 31,523,858
Changes for the year:			
Service cost	931,942	-	\$ 931,942
Interest	2,182,825	-	2,182,825
Difference between expected and actual experience	6,649,997	-	6,649,997
Changes in assumptions	8,145,723	-	8,145,723
Employer contributions	-	1,708,469	(1,708,469)
Benefit payments withdrawn from trust	-	(1,458,469)	1,458,469
Net investment income	-	609,270	(609,270)
Benefit payments	(1,458,469)	-	(1,458,469)
Net changes	16,452,018	859,270	15,592,748
Balances at June 30, 2021	<u>\$ 49,831,238</u>	<u>\$ 2,714,632</u>	<u>\$ 47,116,606</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the Town recognized OPEB expense of \$3,799,912. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 7,100,838	\$ 3,256,129
Differences between actual and expected experience	6,622,030	2,520,115
Differences between expected and actual earnings	-	313,886
	<u>\$ 13,722,868</u>	<u>\$ 6,090,130</u>

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

June 30,	
2022	\$ 831,015
2023	835,191
2024	677,566
2025	884,018
2026	1,638,274
thereafter	<u>2,766,674</u>
	<u><u>\$ 7,632,738</u></u>

Net OPEB Liability – The components of the net OPEB liability of the Town at June 30, 2021 were as follows:

Total OPEB Liability	\$ 49,831,238
Plan fiduciary net position	<u>(2,714,632)</u>
Net OPEB liability	<u>\$ 47,116,606</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.4%

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 29.26%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Financing

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 for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years. The Town participates in a premium-based health care plan for its active and retired employees.

E. Commitments and Contingencies

The Town of Northborough filed suit over the debt apportionment contained in the Northborough-Southborough Regional School's annual assessments to the Towns of Northborough and Southborough. The court approved settlement amount required the Town to pay Northborough a total of \$1,699,466 commencing in 2016. The current remaining principal is being paid in annual installments through 2023 with interest calculated at approximately 1% per year. The principal amount outstanding at year-end has been reported as a claims liability in the statement of net position. The remaining payments are expected to be as follows:

Fiscal year	Principal	Interest
2022	\$ 222,843	\$ 4,501
2023	227,346	2,273
Total	<u>\$ 450,189</u>	<u>\$ 6,774</u>

The Town is party to certain other legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2021.

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

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. Implementation of GASB Pronouncements

Current Year Implementations –

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement became effective for the Town in fiscal year 2021. In connection with the adoption of this accounting standard, certain previously reported agency balances are now reported in the governmental funds and government-wide financial statements. See Note IV for the impact on the Town's financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement was to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement became effective for the Town in fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. In addition to accounting and financial reporting implications that result from the replacement of an interbank offered rate (which become effective in fiscal year 2022), this Statement eliminated the use of LIBOR as an appropriate benchmark interest rate for derivative instruments that hedge interest rate risk of taxable debt for reporting periods effective fiscal year 2021. The adoption of this standard did not have an impact on the Town's financial statements.

Future Implementations –

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

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

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

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The reporting provisions of this Statement are effective for financial reporting periods beginning after June 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial

statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatement

The adoption of GASB Statement No. 84 required certain accounts previously reported as agency accounts in the Statement of Fiduciary Activities to be reclassified into nonmajor governmental funds. Also, the Town reported an adjustment to its unbilled water enterprise fund receivables.

The impact is illustrated in the table below:

	Private Governmental Activities	Purpose Trust Funds
Prior year as presented	\$ 9,206,383	\$ -
Reclassify agency funds	(12,344)	-
Reclassify private purpose funds	<u>(1,628,495)</u>	<u>1,628,495</u>
As restated	<u><u>\$ 7,565,544</u></u>	<u><u>\$ 1,628,495</u></u>

	Community Preservation	Capital Projects	Nonmajor Governmental
Prior year as presented	\$ -	\$ -	\$ 9,211,617
Reclassify agency funds	-	-	(12,344)
Reclassify community preservation funds	2,219,780	-	(2,219,780)
Reclassify capital project funds	-	181,330	(181,330)
Reclassify private purpose funds	-	-	(1,628,495)
As restated	<u><u>\$ 2,219,780</u></u>	<u><u>\$ 181,330</u></u>	<u><u>\$ 5,169,668</u></u>

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS

YEAR ENDED JUNE 30, 2021

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	3.23%	3.22%	3.19%	3.19%	3.15%	3.14%	3.23%
Town's proportionate share of the net pension liability (asset)	\$ 28,636,460	\$ 28,636,460	\$ 28,943,244	\$ 25,973,383	\$ 26,413,514	\$ 22,303,912	\$ 19,222,393
Town's covered payroll	\$ 10,365,406	\$ 9,585,231	\$ 9,054,955	\$ 9,256,067	\$ 9,476,910	\$ 9,430,382	\$ 7,982,132
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	276.27%	298.76%	319.64%	280.61%	278.71%	236.51%	240.82%
Plan fiduciary net position as a percentage of the total pension liability	50.30%	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

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

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,170,625	\$ 1,958,833	\$ 1,777,093	\$ 1,611,713	\$ 1,531,807	\$ 1,413,574	\$ 1,276,578
Contributions in relation to the actuarially determined contribution	<u>2,170,625</u>	<u>1,958,833</u>	<u>1,777,093</u>	<u>1,611,713</u>	<u>1,531,807</u>	<u>1,413,574</u>	<u>1,276,578</u>
Contribution deficiency (excess)	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
Town's covered payroll	\$ 10,365,406	\$ 9,585,231	\$ 9,054,955	\$ 9,256,067	\$ 9,476,910	\$ 9,430,382	\$ 7,982,132
Contributions as a percentage of covered payroll	20.94%	20.44%	19.63%	17.41%	16.16%	14.99%	15.99%

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

See accompanying independent auditors' report.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**
YEAR ENDED JUNE 30, 2021**SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY**
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM
(dollar amounts are in thousands)

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 28,544,844	\$25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$15,896,354
Commonwealth's actuarially determined contribution	\$ 1,553,433	\$1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

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

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

See accompanying independent auditor's report.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2021

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS

	June 30				
	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 931,942	\$ 889,551	\$ 1,102,359	\$ 1,408,106	\$ 1,414,513
Interest	2,182,825	2,206,645	1,984,110	1,894,830	1,255,435
Difference between expected and actual experience	6,649,997	(3,592,503)	-	2,242,713	6,017,400
Changes in assumptions	8,145,723	83,922	(6,007,783)	-	-
Benefit payments	(1,458,469)	(1,231,651)	(1,255,235)	(1,169,027)	(688,801)
Net change in total OPEB liability	16,452,018	(1,644,036)	(4,176,549)	4,376,622	7,998,547
Total OPEB liability - beginning of year	<u>33,379,220</u>	<u>35,023,256</u>	<u>39,199,805</u>	<u>34,823,183</u>	<u>26,824,636</u>
Total OPEB liability - end of year (a)	<u>\$ 49,831,238</u>	<u>\$ 33,379,220</u>	<u>\$ 35,023,256</u>	<u>\$ 39,199,805</u>	<u>\$ 34,823,183</u>
Plan fiduciary net position:					
Contributions - employer	\$ 1,708,469	\$ 1,481,651	\$ 1,505,235	\$ 1,419,027	\$ 938,801
Net investment income	609,270	35,991	78,416	66,625	67,927
Benefit payments	(1,458,469)	(1,231,651)	(1,255,235)	(1,169,027)	(688,801)
Net change in Plan fiduciary net position	859,270	285,991	328,416	316,625	317,927
Plan fiduciary net position - beginning of year	<u>1,855,362</u>	<u>1,569,371</u>	<u>1,240,955</u>	<u>924,330</u>	<u>606,403</u>
Plan fiduciary net position - end of year (b)	<u>\$ 2,714,632</u>	<u>\$ 1,855,362</u>	<u>\$ 1,569,371</u>	<u>\$ 1,240,955</u>	<u>\$ 924,330</u>
Net OPEB liability (asset) - end of year (a) - (b)	<u>\$ 47,116,606</u>	<u>\$ 31,523,858</u>	<u>\$ 33,453,885</u>	<u>\$ 37,958,850</u>	<u>\$ 33,898,853</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.45%	5.56%	4.48%	3.17%	2.65%
Covered-employee payroll	\$ 24,234,544	\$ 23,409,824	\$ 22,223,655	\$ 21,576,364	\$ 19,326,334
Net OPEB liability/(asset) as a percentage of covered-employee payroll	194.42%	134.66%	150.53%	175.93%	175.40%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED**
YEAR ENDED JUNE 30, 2021**SCHEDULE OF CONTRIBUTIONS**
LAST 10 FISCAL YEARS

	June 30				
	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 3,406,099	\$ 3,156,233	\$ 3,451,305	\$ 3,135,467	\$ 2,954,779
Contributions in relation to the actuarially-determined contribution	<u>(1,708,469)</u>	<u>(1,481,651)</u>	<u>(1,505,235)</u>	<u>(1,419,027)</u>	<u>(938,801)</u>
Contribution deficiency (excess)	<u>\$ 1,697,630</u>	<u>\$ 1,674,582</u>	<u>\$ 1,946,070</u>	<u>\$ 1,716,440</u>	<u>\$ 2,015,978</u>
Covered-employee payroll	\$ 24,234,544	\$ 23,409,824	\$ 22,223,655	\$ 21,576,364	\$ 19,326,334
Contribution as a percentage of covered-employee payroll	7.05%	6.33%	6.77%	6.58%	4.86%
Valuation Date	July 1, 2020				
Amortization Period	30 years				
Investment rate of return	6.50%				
Single Equivalent Discount Rate	6.50%				
Inflation	2.20%				
Healthcare cost trend rates	7.0% to 5.4%				
Actuarial Cost Method	Individual Entry Age Normal				
Asset Valuation Method	Market Value of Assets as of Reporting Date				

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	June 30				
	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	29.26%	2.00%	5.34%	6.76%	8.37%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues						
Real estate and personal property taxes, net	\$ 44,069,789	\$ 44,069,789	\$ 44,712,056	\$ -	\$ 44,712,056	\$ 642,267
Intergovernmental	4,428,294	4,428,294	4,437,120	-	4,437,120	8,826
Motor vehicle and other excises	2,210,000	2,210,000	2,311,407	-	2,311,407	101,407
Departmental and other revenue	843,000	843,000	1,045,277	-	1,045,277	202,277
Licenses and permits	425,000	425,000	1,127,709	-	1,127,709	702,709
Penalties and interest on taxes	60,000	60,000	152,514	-	152,514	92,514
Fines and forfeitures	75,000	75,000	64,205	-	64,205	(10,795)
Investment income	70,000	70,000	67,821	-	67,821	(2,179)
Total Revenues	52,181,083	52,181,083	53,918,109	-	53,918,109	1,737,026
Expenditures						
General government	4,663,859	4,655,414	4,055,781	264,541	4,320,322	335,092
Public safety	4,941,366	4,941,366	4,876,195	12,958	4,889,153	52,213
Education	30,029,080	30,029,080	29,387,801	599,490	29,987,291	41,789
Public works	3,128,385	3,128,385	2,417,740	708,851	3,126,591	1,794
Health and human services	781,757	790,202	740,309	647	740,956	49,246
Culture and recreation	710,540	710,540	675,553	-	675,553	34,987
Pensions and fringe benefits	8,414,732	8,414,732	8,243,711	107,936	8,351,647	63,085
State and county tax assessments	234,189	234,189	256,485	-	256,485	(22,296)
Debt service	3,356,524	3,356,524	3,356,365	-	3,356,365	159
Total Expenditures	56,260,432	56,260,432	54,009,940	\$ 1,694,423	55,704,363	556,069
Other Financing Sources (Uses)						
Transfers in	724,539	724,539	689,078	-	689,078	(35,461)
Transfers out	(250,000)	(250,000)	(250,000)	-	(250,000)	-
Total Other Financing Sources (Uses)	474,539	474,539	439,078	-	439,078	(35,461)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	(3,604,810)	(3,604,810)	\$ 347,247	-	\$ (1,347,176)	\$ 2,257,634
Other Budgetary Items						
Use of free cash (unassigned fund balance)	1,878,069	1,878,069	-	-	-	-
Use of overlay surplus	262,954	262,954	-	-	-	-
Prior year encumbrances	1,463,787	1,463,787	-	-	-	-
\$ -	\$ -	\$ -	-	-	-	-

See notes to the required supplementary information of this schedule.

See accompanying independent auditors' report.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2021

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Town Manager and approved by the Board of Selectmen. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2021, Town Meeting approved subsequent changes between appropriations that did not materially impact the total budget. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town's accounting system.

Budgetary-to-GAAP Reconciliation – The Town's general fund is prepared on a basis of accounting other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2021, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 53,918,109
Stabilization revenues	\$ -	\$ 26,976	26,976
Property tax revenue recognition	(136,771)	-	(136,771)
MTRS on-behalf payment	6,255,466	-	6,255,466
Revenues on a GAAP basis	<u>\$ 6,118,695</u>	<u>\$ 26,976</u>	<u>\$ 60,063,780</u>
Expenditures on a budgetary basis			\$ 54,009,940
Refunding transaction	\$ 10,225	\$ -	10,225
OPEB transfer	-	250,000	250,000
Enterprise indirect costs	(160,847)	-	(160,847)
MTRS on-behalf payment	6,255,466	-	6,255,466
Expenditures on a GAAP basis	<u>\$ 6,104,844</u>	<u>\$ 250,000</u>	<u>\$ 60,364,784</u>
Net other financing sources (uses) on a budgetary basis			\$ 439,078
Refunding transaction	\$ 10,225	\$ -	10,225
OPEB transfer	-	250,000	250,000
Enterprise indirect costs	(160,847)	-	(160,847)
Net other financing sources (uses) on a GAAP basis	<u>\$ (150,622)</u>	<u>\$ 250,000</u>	<u>\$ 538,456</u>

Excess of Expenditures Over Appropriations – During fiscal year 2021, expenditures exceeded appropriations for state and county charges by \$22,296 in the General Fund which was funded through available funds during the fiscal year.