

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, 2022



TOWN OF SOUTHBOROUGH, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, and *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023, 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.

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
January 13, 2023

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, 2022. 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 \$14.5 million (*total net position*). Approximately \$3.6 million represented net position of the governmental and the net position of the business-type activities was approximately \$10.9 million.
- The government's total net position decreased by approximately \$2.3 million. The governmental activities decreased net position by approximately \$2.0 million while the business-type activities increased net position by over \$0.3 million.
- The Town's unassigned fund balance reported in the General Fund was approximately \$3.3 million (almost 5.7% of General Fund expenditures). Total fund balance in the General Fund was approximately \$6.8 million (11.5% of General Fund expenditures). The Town reported a restricted fund balance of nearly \$2.5 million in the Community Preservation Fund, an unassigned fund balance (deficit) of nearly \$1.0 million in the Capital Project Fund and reported total fund balances of nearly \$6.3 million in the combined Nonmajor Governmental Funds.
- The Town's debt balance remained consistent during the year at nearly \$28.9 million. During the fiscal year there were regular scheduled maturities of governmental activities and business-type activities debt totaled approximately \$2.6 million and \$0.3 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,	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 23,361,519	\$ 23,643,483	\$ 3,144,081	\$ 3,499,813	\$ 26,505,600	\$ 27,143,296
Capital assets, net	84,273,065	84,248,392	12,445,674	12,542,449	96,718,739	96,790,841
Total assets	107,634,584	107,891,875	15,589,755	16,042,262	123,224,339	123,934,137
<u>Deferred Outflows of Resources</u>	13,845,403	15,601,052	231,858	246,420	14,077,261	15,847,472
<u>Liabilities</u>						
Long-term liabilities	99,245,587	103,715,564	4,563,571	4,874,502	103,809,158	108,590,066
Other liabilities	6,891,313	6,045,928	82,802	42,290	6,974,115	6,088,218
Total liabilities	106,136,900	109,761,492	4,646,373	4,916,792	110,783,273	114,678,284
<u>Deferred Inflows of Resources</u>	11,764,812	8,161,517	260,003	153,724	12,024,815	8,315,241
<u>Net Position</u>						
Net investment in capital assets	58,528,170	55,262,101	9,535,674	9,288,041	68,063,844	64,550,142
Restricted	8,740,972	8,888,969	-	-	8,740,972	8,888,969
Unrestricted	(63,690,867)	(58,581,152)	1,379,563	1,930,125	(62,311,304)	(56,651,027)
Net position	\$ 3,578,275	\$ 5,569,918	\$ 10,915,237	\$ 11,218,166	\$ 14,493,512	\$ 16,788,084

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 \$14.5 million (*total net position*). This was a decrease of nearly \$2.3 million over the preceding year, net of beginning net position restatements.

By far the largest portion (approximately \$68.1 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 \$8.7 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 \$62.3 million. This is due to the recognition of the net other postemployment and pension benefits liability of approximately \$71.9 million in aggregate.

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

	Governmental activities		Business-type activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 5,014,732	\$ 4,688,248	\$ 2,522,859	\$ 2,860,363	\$ 7,537,591	\$ 7,548,611
Operating grants and contributions	9,362,395	12,034,260	-	-	9,362,395	12,034,260
Capital grants and contributions	899,155	762,884	-	-	899,155	762,884
General revenues:						
Property taxes	46,724,920	45,496,766	-	-	46,724,920	45,496,766
Intergovernmental	807,362	512,301	-	-	807,362	512,301
Other	2,491,774	3,786,594	2,302	3,637	2,494,076	3,790,231
Total Revenues	65,300,338	67,281,053	2,525,161	2,864,000	67,825,499	70,145,053
<u>Expenses</u>						
General government	5,846,666	6,811,847	-	-	5,846,666	6,811,847
Public safety	10,286,766	9,811,505	-	-	10,286,766	9,811,505
Education	42,530,448	43,915,574	-	-	42,530,448	43,915,574
Public works	4,573,751	4,325,049	-	-	4,573,751	4,325,049
Health and human services	1,390,606	1,416,256	-	-	1,390,606	1,416,256
Culture and recreation	1,884,586	2,120,354	-	-	1,884,586	2,120,354
Debt service	779,158	871,670	-	-	779,158	871,670
Water	-	-	2,828,090	2,515,436	2,828,090	2,515,436
Total Expenses	67,291,981	69,272,255	2,828,090	2,515,436	70,120,071	71,787,691
Change in net position before transfers	(1,991,643)	(1,991,202)	(302,929)	348,564	(2,294,572)	(1,642,638)
Transfers	-	(4,424)	-	4,424	-	-
Change in net position	(1,991,643)	(1,995,626)	(302,929)	352,988	(2,294,572)	(1,642,638)
Net position, beginning of year	5,569,918	9,206,383	11,218,166	10,865,178	16,788,084	20,071,561
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	5,569,918	7,565,544	11,218,166	10,865,178	16,788,084	18,430,722
Net position, end of year	\$ 3,578,275	\$ 5,569,918	\$ 10,915,237	\$ 11,218,166	\$ 14,493,512	\$ 16,788,084

Governmental Activities - The Town relies significantly on property taxes, which, during 2022, made up approximately 71.6% of total revenues, up from 67.6% in the prior year. Actual revenues increased by 2.7% as expected which is in line with proposition 2 ½% legislation. Operating grants and contributions made up approximately 14.3% of total revenues, down from 17.9% in 2021. Actual revenues decreased \$2.7 million primarily due to a \$3.0 million decrease in on-behalf pension payments related to the Massachusetts Teachers Retirement System. No other revenues were greater than 10% of total revenues in 2022 or 2021.

Major expenditures were for education which continues to be an area that the town devotes significant resources. Education represented 63.2% of total expenses, which is flat with the prior year allocation. Cost of living increases were offset by the expenses associated with the on-behalf pension payments discussed above in the revenue section causing an overall reduction in dollar amount. Public safety expenses represented 15.3% of total expenses, up from the prior year of 14.2%. Actual expenses in all categories were somewhat consistent with the prior year which is representative of consistent operations. No other expense types were greater than 10% of total expenses in 2022 or 2021.

Business-type Activities - Major revenue sources consist of revenue from user charges, which represented approximately 99.9% of total fiscal year 2022, which was consistent with the 99.9% in the prior year. Water expenses decreased over \$0.3 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 \$14.6 million. This is about \$0.5 million less than the prior year. Of the ending fund balance approximately \$1.7 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 \$3.3 million, while total fund balance was over \$6.8 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 nearly 5.7% of total general fund expenditures, while total fund balance represents approximately 11.5% 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 project was completed this year and the fund was closed out.

The community preservation fund is used as a funding source for various projects eligible under the Community Preservation Act. The balance of this fund decreased from nearly \$2.8 million to nearly \$2.5 million, as the funds' investment balances decreased approximately \$0.4 million due to challenging market conditions.

The capital project fund is used as a funding source for all other capital outlay not accounted for in the other major funds. The balance of this fund decreased from a deficit of nearly \$0.4 million to a deficit of nearly \$1.0 million as a result of capital outlays in the current year exceeding intergovernmental revenues, bond proceeds and net operating transfers.

The ARPA grant fund, which was established as a major governmental fund in fiscal year 2022, reports cash of approximately \$1.5 million and unearned revenues of that same amount.

The combined Nonmajor funds increased from prior year by approximately \$0.2 million. Fund balances at year end were approximately \$6.3 million.

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, 2022, net position of the water enterprise fund was approximately \$10.9 million, this was less than a 3% decrease over the prior year as operations were consistent.

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, 2022, amounts to approximately \$96.8 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects a decrease of approximately \$0.1 million due to depreciation/amortization slightly exceeding capital additions. The majority of the Town's capital expenditures were for leased assets and other machinery and equipment. The Town is also funding various 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 \$28.9 million. Of this amount approximately \$26.0 million represents debt of the governmental activities and approximately \$2.9 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 the town made regular scheduled maturities of governmental activities and business-type activities debt totaled approximately \$2.6 million and \$0.3 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 \$152 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 Select Board along with ballot approval.
- The Town's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Current actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike during fiscal year 2023. Such trends may have an adverse effect on the housing market, and the Town is monitoring this.
- ▪ Inflation is peaking near 40-year historic highs. This is having adverse impacts on Town expenses and operations. Employee retention is becoming more challenging because of increasing wages in comparable communities, and the talent pool seeking municipal jobs is thinning dramatically. The Town is nearing completion of its Pay and Classification Study, which will seek to keep Southborough competitive, both with current and prospective employees. Energy inflation is causing a spike in energy costs. The Town has been able to mitigate these to an extent due to our electricity aggregation program, but those contracts will likely see a rise upon renewal in the next 12-18 months. Price inflation is causing a spike in the price of the delivery and cost of other goods and services. The construction building index is also seeing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The increase in residential value compared to the flattening of the commercial values, has caused a shift in the tax base that has exacerbated the impacts on the Town's tax rate and overall financial condition. The Town continues to monitor these issues moving forward in order to maintain and enhance its workforce and positive financial climate.
- 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 2023 and the tax rate was set in October 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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,341,653	\$ 2,104,504	\$ 17,446,157
Investments	5,165,634	-	5,165,634
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	259,071	-	259,071
Tax Title	193,015	-	193,015
User fees	-	1,039,577	1,039,577
Departmental and other	644,511	-	644,511
Intergovernmental	1,556,803	-	1,556,803
Tax foreclosures	200,832	-	200,832
Prepaid items	-	-	-
Capital assets, not being depreciated/amortized	22,446,716	109,975	22,556,691
Capital assets, net of accumulated depreciation/amortization	61,826,349	12,335,699	74,162,048
Total Assets	107,634,584	15,589,755	123,224,339
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	11,454,528	146,169	11,600,697
Related to net pension liability	2,390,875	85,689	2,476,564
Total Deferred Outflows of Resources	13,845,403	231,858	14,077,261
Liabilities			
Warrants and accounts payable	1,812,846	68,988	1,881,834
Accrued payroll and withholdings	2,187,296	-	2,187,296
Accrued interest	114,361	13,814	128,175
Performance Bonds	22,161	-	22,161
Unearned revenue	1,520,112	-	1,520,112
Bond anticipation notes payable	1,234,537	-	1,234,537
Long-term liabilities:			
Due within one year	3,074,023	380,387	3,454,410
Due in more than one year	96,171,564	4,183,184	100,354,748
Total Liabilities	106,136,900	4,646,373	110,783,273
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	7,004,064	89,377	7,093,441
Related to net pension liability	4,760,748	170,626	4,931,374
Total Deferred Inflows of Resources	11,764,812	260,003	12,024,815
Net Position			
Net investment in capital assets	58,528,170	9,535,674	68,063,844
Restricted:			
Nonexpendable permanent funds	579,307	-	579,307
Expendable permanent funds	2,458,922	-	2,458,922
Community preservation	1,853,381	-	1,853,381
Federal and State grants	966,783	-	966,783
Other Purposes	2,882,579	-	2,882,579
Unrestricted	(63,690,867)	1,379,563	(62,311,304)
Total Net Position	\$ 3,578,275	\$ 10,915,237	\$ 14,493,512

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Primary Government:</u>							
<i>Governmental Activities:</i>							
General government	\$ 5,846,666	\$ 1,431,627	\$ 255,175	\$ -	\$ (4,159,864)		\$ (4,159,864)
Public safety	10,286,766	2,379,305	164,801	-	(7,742,660)		(7,742,660)
Education	42,530,448	239,412	8,391,430	154,714	(33,744,892)		(33,744,892)
Public works	4,573,751	81,359	-	744,441	(3,747,951)		(3,747,951)
Health and human services	1,390,606	74,895	291,155	-	(1,024,556)		(1,024,556)
Culture and recreation	1,884,586	808,134	39,636	-	(1,036,816)		(1,036,816)
Interest expense	779,158	-	220,198	-	(558,960)		(558,960)
Total Governmental Activities	67,291,981	5,014,732	9,362,395	899,155	(52,015,699)		(52,015,699)
<i>Business-Type Activities:</i>							
Water	2,828,090	2,522,859	-	-		\$ (305,231)	(305,231)
Total Business-type Activities	2,828,090	2,522,859	-	-		(305,231)	(305,231)
Total Primary Government	\$ 70,120,071	\$ 7,537,591	\$ 9,362,395	\$ 899,155	(52,015,699)	(305,231)	(52,320,930)
<u>General Revenues:</u>							
					46,724,920	-	46,724,920
					2,527,471	-	2,527,471
					807,362	-	807,362
					87,968	-	87,968
					(769,390)	2,302	(767,088)
					645,725	-	645,725
<u>Transfers (net)</u>							
					-	-	-
Total General Revenues and Transfers					50,024,056	2,302	50,026,358
Change in Net Position					(1,991,643)	(302,929)	(2,294,572)
<u>Net Position:</u>							
Beginning of year					5,569,918	11,218,166	16,788,084
End of year					\$ 3,578,275	\$ 10,915,237	\$ 14,493,512

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General	Public Safety Facility	Community Preservation	Capital Projects	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	\$ 9,865,153	\$ -	\$ 41,557	\$ 283,006	\$ 1,520,112	\$ 3,631,825	\$ 15,341,653
Investments	561,995	-	2,417,365	-	-	2,186,274	5,165,634
Receivables, net of allowance for uncollectibles:							
Real estate and personal property taxes	230,829	-	28,242	-	-	-	259,071
Tax liens and deferrals	193,015	-	-	-	-	-	193,015
Departmental and other	241,887	-	-	-	-	402,624	644,511
Intergovernmental	700,745	-	-	-	-	856,058	1,556,803
Tax foreclosures	200,463	-	369	-	-	-	200,832
Total Assets	11,994,087	-	2,487,533	283,006	# 1,520,112	7,076,781	23,361,519
Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$11,994,087	\$ -	\$ 2,487,533	\$ 283,006	\$ 1,520,112	\$ 7,076,781	\$23,361,519
Liabilities:							
Warrants and accounts payable	\$ 1,387,826	\$ -	\$ -	\$ 35,712	\$ -	\$ 389,309	\$ 1,812,847
Accrued payroll and withholdings	2,184,498	-	-	-	-	2,798	2,187,296
Performance bonds	22,161	-	-	-	-	-	22,161
Bond anticipation notes payable	-	-	-	1,234,537	-	-	1,234,537
Unearned revenue	-	-	-	-	1,520,112	-	1,520,112
Total Liabilities	3,594,485	-	-	1,270,249	1,520,112	392,107	6,776,953
Deferred Inflows of Resources:							
Unavailable revenues - property taxes	423,844	-	28,242	-	-	-	452,086
Unavailable revenues - excise taxes	241,887	-	-	-	-	-	241,887
Unavailable revenues - intergovernmental	700,745	-	-	-	-	-	700,745
Unavailable revenues - other	200,463	-	369	-	-	402,624	603,456
Total Deferred Inflows of Resources	1,566,939	-	28,611	-	-	402,624	1,998,174
Fund Balances:							
Nonspendable	-	-	-	-	-	579,307	579,307
Restricted	2,014	-	2,458,922	-	-	6,312,799	8,773,735
Committed	1,233,373	-	-	-	-	-	1,233,373
Assigned	2,251,396	-	-	-	-	-	2,251,396
Unassigned	3,345,880	-	-	(987,243)	-	(610,056)	1,748,581
Total Fund Balances	6,832,663	-	2,458,922	(987,243)	-	6,282,050	14,586,392
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,994,087	\$ -	\$ 2,487,533	\$ 283,006	\$ 1,520,112	\$ 7,076,781	\$23,361,519

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, 2022**

Total Governmental Fund Balances	\$ 14,586,392
Capital and leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	84,273,065
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,998,174
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	11,454,528
Deferred outflows related to net pension liability	2,390,875
Deferred inflows related to net other postemployment benefits liability	(7,004,064)
Deferred inflows related to net pension liability	<u>(4,760,748)</u>
Net effect of reporting deferred outflows and inflows of resources	2,080,591
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.	(114,361)
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	(24,897,578)
Unamortized premiums on bonds	(1,103,947)
Lease liability	(545,016)
Claims and judgements	(227,346)
Compensated absences	(538,483)
Net pension liability	(25,520,159)
Net other postemployment benefits liability	<u>(46,413,057)</u>
Net effect of reporting long-term liabilities	<u>(99,245,586)</u>
Net Position of Governmental Activities	<u>\$ 3,578,275</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, 2022**

	General	Public Safety Facility	Community Preservation	Capital Projects	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real and personal property taxes	\$ 46,376,467	\$ -	\$ 391,785	\$ -	\$ -	\$ -	\$ 46,768,252
Intergovernmental	7,890,842	-	163,780	154,714	-	3,542,906	11,752,242
Motor vehicle and other excises	2,493,575	-	-	-	-	-	2,493,575
Licenses and permits	1,032,834	-	-	-	-	-	1,032,834
Departmental and other	963,124	-	-	-	-	2,844,984	3,808,108
Contributions and donations	-	-	-	-	-	17,415	17,415
Penalties and interest on taxes	87,968	-	-	-	-	-	87,968
Fines and forfeitures	64,368	-	-	-	-	-	64,368
Investment income (loss)	45,599	-	(415,025)	-	-	(399,964)	(769,390)
Total Revenues	<u>58,954,777</u>	<u>-</u>	<u>140,540</u>	<u>154,714</u>	<u>-</u>	<u>6,005,341</u>	<u>65,255,372</u>
Expenditures:							
Current:							
General government	4,056,442	-	17,891	15,370	-	340,695	4,430,398
Public safety	5,284,079	27,532	-	1,175,725	-	1,025,677	7,513,013
Education	30,441,249	-	-	-	-	2,242,633	32,683,882
Public works	2,565,589	-	-	72,753	-	981,119	3,619,461
Health and human services	856,683	-	-	-	-	99,906	956,589
Culture and recreation	696,416	-	342,408	110,464	-	627,508	1,776,796
Pension and fringe benefits	11,776,784	-	-	-	-	-	11,776,784
State and county tax assessments	280,631	-	-	-	-	-	280,631
Debt service:							
Principal	2,391,470	-	50,000	-	-	-	2,441,470
Interest	925,659	-	32,938	-	-	-	958,597
Total Expenditures	<u>59,275,002</u>	<u>27,532</u>	<u>443,237</u>	<u>1,374,312</u>	<u>-</u>	<u>5,317,538</u>	<u>66,437,621</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(320,225)</u>	<u>(27,532)</u>	<u>(302,697)</u>	<u>(1,219,598)</u>	<u>-</u>	<u>687,803</u>	<u>(1,182,249)</u>
Other Financing Sources (Uses)							
Transfers in	572,683	-	-	-	-	-	572,683
Transfers out	-	-	-	(39,580)	-	(533,103)	(572,683)
Issuance of lease liabilities	-	-	-	645,725	-	-	645,725
Total Other Financing Sources (Uses)	<u>572,683</u>	<u>-</u>	<u>-</u>	<u>606,145</u>	<u>-</u>	<u>(533,103)</u>	<u>645,725</u>
Net Change in Fund Balances	<u>252,458</u>	<u>(27,532)</u>	<u>(302,697)</u>	<u>(613,453)</u>	<u>-</u>	<u>154,700</u>	<u>(536,524)</u>
Fund Balances (Deficit), Beginning	<u>6,580,205</u>	<u>27,532</u>	<u>2,761,619</u>	<u>(373,790)</u>	<u>-</u>	<u>6,127,350</u>	<u>15,122,916</u>
Fund Balances (Deficit), Ending	<u>\$ 6,832,663</u>	<u>\$ -</u>	<u>\$ 2,458,922</u>	<u>\$ (987,243)</u>	<u>\$ -</u>	<u>\$ 6,282,050</u>	<u>\$ 14,586,392</u>

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, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (536,524)**

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/amortization 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	\$ 3,840,066	
Depreciation/amortization expense	(3,815,393)	
Net effect of reporting capital assets		24,673

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	1,386,678	
Payments on refunded debt	1,098,992	
Payments on lease	100,709	
Amortization of premiums from issuance of bonds and notes	125,306	
Issuance of lease liabilities	(645,725)	
Net effect of reporting long-term debt		2,065,960

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. (600,758)

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. 9,933

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	(83,414)	
Other postemployment benefits	(2,976,221)	
Pension benefits	(118,135)	
Claims and judgements	222,843	
Net effect of reporting long-term liabilities		(2,954,927)

Change in Net Position of Governmental Activities **\$ (1,991,643)**

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Business-type Activities - Enterprise Funds Water Enterprise
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 2,104,504
Receivables (net)	
User fees	1,039,577
Total Current Assets	<u>3,144,081</u>
Noncurrent Assets:	
Capital assets, not being depreciated/amortized	137,625
Capital assets, net of accumulated depreciation/amortization	12,308,049
Total Noncurrent Assets	<u>12,445,674</u>
Total Assets	<u>15,589,755</u>
Deferred Outflows of Resources:	
Related to net other postemployment benefits liability	146,169
Related to net pension liability	85,689
Total Deferred Outflows of Resources	<u>231,858</u>
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	68,988
Accrued Interest	13,814
Compensated absences	17,603
Lease liability	17,784
Bonds and notes payable	345,000
Total Current Liabilities	<u>463,189</u>
Noncurrent Liabilities:	
Compensated absences	17,603
Lease liability	93,670
Bonds and notes payable	2,565,000
Net pension liability	914,644
Net other postemployment benefits liability	592,267
Total Noncurrent Liabilities	<u>4,183,184</u>
Total Liabilities	<u>4,646,373</u>
Deferred Inflows of Resources:	
Related to net other postemployment benefits liability	89,377
Related to net pension liability	170,626
Total Deferred Inflows of Resources	<u>260,003</u>
Net Position:	
Net investment in capital assets	9,535,674
Unrestricted	1,379,563
Total Net Position	<u>\$ 10,915,237</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, 2022**

	Business-type Enterprise Funds Water Enterprise
Operating Revenues:	
Charges for services	\$ 2,522,859
Total Operating Revenues	<u>2,522,859</u>
Operating Expenses:	
Operating costs	2,194,048
Depreciation/amortization	524,432
Total Operating Expenses	<u>2,718,480</u>
Total Operating Income	<u>(195,621)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(109,610)
Interest income	2,302
Total Nonoperating Revenues (Expenses)	<u>(107,308)</u>
Income Before Capital Contributions and Transfers	<u>(302,929)</u>
Transfers in	<u>-</u>
Change in Net Position	<u>(302,929)</u>
Net Position at Beginning of Year	11,218,166
Net Position at End of Year	<u><u>\$ 10,915,237</u></u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds Water Enterprise
Cash Flows from Operating Activities:	
Receipts from users	\$ 2,257,411
Payments to vendors	(1,745,939)
Payments to employees	(362,817)
Net Cash Provided by Operating Activities	<u>148,655</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from lease	130,000
Acquisition and construction of capital assets	(427,657)
Principal payments on bonds and notes	(300,000)
Payments on refunded bonds	(44,408)
Payments on lease liability	(18,546)
Interest expense	(111,526)
Net Cash Used for Capital and Related Financing Activities	<u>(772,137)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	2,302
Net Cash Provided by Investing Activities	<u>2,302</u>
Net Change in Cash and Cash Equivalents	(621,180)
Cash and Cash Equivalents:	
Beginning of Year	<u>2,725,684</u>
End of Year	<u><u>\$ 2,104,504</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income	\$ (195,621)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	524,432
Changes in assets, deferred outflows, liabilities and deferred inflows:	
User fees receivable	(265,448)
Deferred outflows of resources	14,562
Accounts payable and accrued expenses	42,428
Compensated absences	650
Net pension liability	(77,225)
Net other postemployment benefits liability	(1,402)
Deferred inflows of resources	106,279
Net Cash Provided by Operating Activities	<u><u>\$ 148,655</u></u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	Other Postemployment Benefits Trust Funds	Private Purpose Trust Funds
Assets:		
Cash and Cash Equivalents	\$ 11,105	\$ -
Investments (at fair value):		
Fixed income mutual funds	686,911	-
Equities	387,143	-
Equity mutual funds	1,480,008	1,735,451
Total Investments	2,554,062	1,735,451
Total Assets	2,565,167	1,735,451
Liabilities:		
Other liabilities	-	-
Total Liabilities	-	-
Net Position:		
Restricted for other postemployment benefits	2,565,167	-
Held in trust for private purposes	-	1,735,451
Total Net Position	\$ 2,565,167	\$ 1,735,451

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Other Postemployment Benefits Trust Funds	Private Purpose Trust Funds
Additions:		
Employer contributions	\$ 1,854,815	\$ -
Other	-	1,401
Total contributions	<u>1,854,815</u>	<u>1,401</u>
Investment income (loss)	<u>(399,465)</u>	<u>(322,102)</u>
Total Additions	<u>1,455,350</u>	<u>(320,701)</u>
Deductions:		
Benefits and payments to pensioners and beneficiaries	1,604,815	-
Payroll and stipend expenses	-	6,000
Health and human services	<u>-</u>	<u>15,510</u>
Total Deductions	<u>1,604,815</u>	<u>21,510</u>
Change in Net Position	(149,465)	(342,211)
Net Position - Beginning, as restated (see Note IV)	<u>2,714,632</u>	<u>2,077,662</u>
Net Position - Ending	<u><u>\$ 2,565,167</u></u>	<u><u>\$ 1,735,451</u></u>

See accompanying notes to basic financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

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 Select Board 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 2022, the Town's share of the operating and debt service expenses was \$7,868,033. 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.

ARPA Grant Fund – was established as a major fund in fiscal year 2022 and is used to account for the Town’s expenditure of grant awards from the American Rescue Plan Act of 2021, or ARPA.

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/amortization. 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, leased assets and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, 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/amortized 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/amortization, 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 Select Board 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 \$632,666 at June 30, 2022 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 \$290,053 of encumbrances from normal purchasing activity in the general fund as assigned and \$1,233,373 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	ARPA	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:							
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 579,307	\$ 579,307
Restricted:							
General government	-	-	-	-	-	150,048	150,048
Public safety	-	-	-	-	-	994,020	994,020
Education	-	-	-	-	-	1,870,541	1,870,541
Public works	-	-	-	-	-	604,291	604,291
Health and human services	-	-	-	-	-	58,647	58,647
Culture and recreation	-	-	2,458,922	-	-	2,556,933	5,015,855
Debt service	2,014	-	-	-	-	78,319	80,333
Committed:							
General government	266,979	-	-	-	-	-	266,979
Public safety	3,304	-	-	-	-	-	3,304
Pension benefits	86,842	-	-	-	-	-	86,842
Public works	876,248	-	-	-	-	-	876,248
Assigned:							
General government	16,292	-	-	-	-	-	16,292
Public safety	7,251	-	-	-	-	-	7,251
Education	209,119	-	-	-	-	-	209,119
Public works	35,806	-	-	-	-	-	35,806
Health and human services	12,709	-	-	-	-	-	12,709
Personnel and fringe benefits	8,876	-	-	-	-	-	8,876
Subsequent year's budget	1,961,343	-	-	-	-	-	1,961,343
Unassigned	3,345,880	-	-	-	(987,243)	(610,056)	1,748,581
Totals	<u>\$ 6,832,663</u>	<u>\$ -</u>	<u>\$ 2,458,922</u>	<u>\$ -</u>	<u>\$ (987,243)</u>	<u>\$ 6,282,050</u>	<u>\$14,586,392</u>

D. Excess of Expenditures Over Appropriations and Deficits

The Town incurred individual fund deficits totaling \$987,243 and \$610,056 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 \$17,292,684 and the bank balance was \$18,006,426. Of the Town's bank balance, \$14,390,552 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, 2022:

		Fair Value Measurements Using		
	Fair value	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Corporate fixed income securities	197,146	\$ -	\$ 197,146	\$ -
U.S. government obligations	165,808	123,132	42,676	-
Fixed income mutual funds	2,691,464	-	2,691,464	-
Negotiable certificates of deposit	49,513	-	49,513	-
Total debt securities	3,103,931	123,132	2,980,799	-
Equity securities:				
Common stock	514,976	514,976	-	-
Equity mutual funds	5,885,754	-	5,885,754	-
Total equity securities	6,400,730	514,976	5,885,754	-
Total investments by fair value level	\$ 9,504,661	\$ 638,108	\$ 8,866,553	\$ -
Investments measured at amortized cost				
State investment pool (MMDT)	209,741			
Money market mutual funds	79,995			
Total investments	\$ 9,794,397			

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 amortize 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, 2022, 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	\$ 197,146	\$ 24,999	\$ 172,147	\$ -
U.S. government obligations	165,808	45,083	120,725	-
Fixed income mutual funds	2,691,464	2,691,464	-	-
Negotiable certificates of deposit	49,513	34,960	14,553	-
Total investments with maturities	\$ 3,103,931	\$ 2,796,506	\$ 307,425	\$ -

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, 2022, 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	\$ -	\$ 165,808	\$ -	\$ -	\$ 165,808
A2	42,384	-	-	-	42,384
A3	24,999	-	-	-	24,999
BAA1	54,427	-	-	-	54,427
BAA2	75,336	-	-	-	75,336
Not rated	-	-	2,691,464	49,513	2,740,977
Totals - All	<u>\$ 197,146</u>	<u>\$ 165,808</u>	<u>\$ 2,691,464</u>	<u>\$ 49,513</u>	<u>\$ 3,103,931</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	\$ 188,948	\$ -	\$ 188,948
Community preservation surcharges	1,332	-	1,332
Excise	241,887	-	241,887
Tax liens and deferrals	236,076	-	236,076
Title V loans	25,730	-	25,730
Ambulance fees	636,494	(254,598)	381,896
Public safety details	20,728	-	20,728
Intergovernmental	1,556,803	-	1,556,803
Total	<u>\$ 2,907,998</u>	<u>\$ (254,598)</u>	<u>\$ 2,653,400</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	\$ 1,039,577	\$ -	\$ 1,039,577
Total	<u>\$ 1,039,577</u>	<u>\$ -</u>	<u>\$ 1,039,577</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	\$ 188,948	\$ -	\$ 188,948
Community preservation surcharges	-	1,332	1,332
Excise	241,887	-	241,887
Tax liens and deferrals	234,896	1,180	236,076
Title V loans	-	25,730	25,730
Ambulance fees	-	381,896	381,896
Public safety details	-	20,728	20,728
Intergovernmental	700,745	-	700,745
Foreclosures	200,463	369	200,832
Total	<u>\$ 1,566,939</u>	<u>\$ 431,235</u>	<u>\$ 1,998,174</u>

School Building Assistance Reimbursement – As of June 30, 2022, 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 \$700,745 under the caption Intergovernmental has been recorded for the reimbursable portion of the principal balance as of June 30, 2022.

C. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2022, are as follows:

	Transfers In		
Transfers Out	General Fund	Total	
Capital Projects Fund	\$ 39,580	\$ 39,580	(1)
Nonmajor Governmental Funds	533,103	533,103	(2)
Total	<u>\$ 572,683</u>	<u>\$ 572,683</u>	

- (1) Transfers to general fund to close out capital project accounts.
(2) Transfers to nonmajor governmental funds for ambulance and other operations.

D. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated/amortized:				
Land	\$ 22,446,716	\$ -	\$ -	\$ 22,446,716
Total capital assets not being depreciated/amortized	22,446,716	-	-	22,446,716
Capital assets being depreciated/amortized:				
Buildings and improvements	82,802,180	921,210	-	83,723,390
Infrastructure	22,120,623	1,117,880	-	23,238,503
Machinery, equipment and vehicles	12,597,315	1,155,251	-	13,752,566
Leased machinery, equipment and vehicles	-	645,725	-	645,725
Total capital assets being depreciated/amortized	117,520,118	3,840,066	-	121,360,184
Less accumulated depreciation/amortization for:				
Buildings and improvements	(32,674,210)	(2,217,803)	-	(34,892,013)
Infrastructure	(14,791,533)	(634,253)	-	(15,425,786)
Machinery, equipment and vehicles	(8,252,699)	(927,832)	-	(9,180,531)
Leased machinery, equipment and vehicles	-	(35,505)	-	(35,505)
Total accumulated depreciation/amortization	(55,718,442)	(3,815,393)	-	(59,533,835)
Total capital assets being depreciated/amortized, net	61,801,676	24,673	-	61,826,349
Total governmental activities capital assets, net	\$ 84,248,392	\$ 24,673	\$ -	\$ 84,273,065
<i><u>Business-type Activities: Water</u></i>				
Capital assets not being depreciated/amortized:				
Land	\$ 109,975	\$ -	\$ -	\$ 109,975
Construction in process	-	27,650	-	27,650
Total capital assets not being depreciated/amortized	109,975	27,650	-	137,625
Capital assets being depreciated/amortized:				
Buildings and improvements	1,162,857	17,299	-	1,180,156
Infrastructure	23,197,221	252,707	-	23,449,928
Machinery, equipment and vehicles	980,788	-	-	980,788
Leased machinery, equipment and vehicles	-	130,000	-	130,000
Total capital assets being depreciated/amortized	25,340,866	400,006	-	25,740,872
Less accumulated depreciation/amortization for:				
Buildings and improvements	(683,122)	(18,927)	-	\$ (702,049)
Infrastructure	(11,526,056)	(436,136)	-	(11,962,192)
Machinery, equipment and vehicles	(699,214)	(59,368)	-	(758,582)
Leased machinery, equipment and vehicles	-	(10,000)	-	(10,000)
Total accumulated depreciation/amortization	(12,908,392)	(524,431)	-	(13,432,823)
Total capital assets being depreciated/amortized, net	12,432,474	(124,425)	-	12,308,049
Total business-type activities capital assets, net	\$ 12,542,449	\$ (96,775)	\$ -	\$ 12,445,674

Depreciation/amortization expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 61,972	Water	\$ 524,431
Health and human services	30,197		<u>\$ 524,431</u>
Culture and recreation	223,759		
Education	1,547,720		
Public safety	968,028		
Public works	<u>983,717</u>		
	<u>\$ 3,815,393</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, 2022, are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	1.00%	12/27/21	\$ 1,590,180	\$ -	\$ (1,590,180)	\$ -
BAN	0.45%	08/17/22	-	1,234,537	-	1,234,537
Total Governmental Notes			<u>1,590,180</u>	<u>1,234,537</u>	<u>(1,590,180)</u>	<u>1,234,537</u>
Total Temporary Notes Payable			<u>\$ 1,590,180</u>	<u>\$ 1,234,537</u>	<u>\$ (1,590,180)</u>	<u>\$ 1,234,537</u>

BAN's outstanding at year end were issued for a fire truck (\$600,000) and school boilers (\$634,537).

F. Long-Term Debt

The Town issues general obligation bonds and notes as well as leases 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
<u>Governmental Activities:</u>					
General obligation bonds	\$ 27,115,592	\$ -	\$ (2,455,592)	24,660,000	\$ 2,335,000
Unamortized bond premium	1,229,253	-	(125,306)	1,103,947	114,744
Notes from direct borrowings and placements	267,656	-	(30,078)	237,578	30,097
Lease liability	-	645,725	(100,709)	545,016	97,594
Claims and judgements	450,189	-	(222,843)	227,346	227,346
Compensated absences	455,069	310,949	(227,535)	538,483	269,242
Net pension liability	27,674,868	4,847,250	(7,001,959)	25,520,159	-
Net other postemployment benefits liability	46,522,937	16,262,194	(16,372,074)	46,413,057	-
Total Governmental Activities	<u>\$ 103,715,564</u>	<u>\$ 22,066,118</u>	<u>\$ (26,536,096)</u>	<u>\$ 99,245,586</u>	<u>\$ 3,074,023</u>
<u>Business-type Activities: Water</u>					
General obligation bonds	\$ 3,254,408	\$ -	\$ (344,408)	2,910,000	\$ 345,000
Lease liability	-	111,454	-	111,454	17,784
Compensated absences	34,556	17,928	(17,278)	35,206	17,603
Net pension liability	991,869	173,726	(250,951)	914,644	-
Net other postemployment benefits liability	593,669	207,518	(208,920)	592,267	-
Total Business-type Activities: Water	<u>\$ 4,874,502</u>	<u>\$ 510,626</u>	<u>\$ (821,557)</u>	<u>\$ 4,563,571</u>	<u>\$ 380,387</u>

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

Description of Issue	Interest Rate	Beginning Balance	Issuances	Maturities	Ending Balance
<u>Governmental Activities:</u>					
General Obligation Bonds	2.00 - 5.00%	\$ 24,719,600	\$ -	\$ (1,356,600)	\$ 23,363,000
Refunding Bonds	2.00 - 5.00%	2,395,992	-	(1,098,992)	1,297,000
Total General Obligation Bonds		27,115,592	-	(2,455,592)	24,660,000
Add: Unamortized bond premium		1,229,253	-	(125,306)	1,103,947
Total General Obligation Bonds, net		28,344,845	-	(2,580,898)	25,763,947
Massachusetts Clean Water Trust	0.00%	267,656	-	(30,078)	237,578
Total notes from direct borrowings and placements		267,656	-	(30,078)	237,578
Total Governmental Activities debt		<u>\$ 28,612,501</u>	<u>\$ -</u>	<u>\$ (2,610,976)</u>	<u>\$ 26,001,525</u>
<u>Business-Type Activities - Water</u>					
General Obligation Bonds	2.00 - 5.00%	\$ 3,000,000	\$ -	\$ (300,000)	\$ 2,700,000
Refunding Bonds	5.00%	254,408	-	(44,408)	210,000
Total General Obligation Bonds, net		3,254,408	-	(344,408)	2,910,000
Total Business-type Activities - Water debt		<u>\$ 3,254,408</u>	<u>\$ -</u>	<u>\$ (344,408)</u>	<u>\$ 2,910,000</u>

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>Governmental Activities</i>				
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	952,000	636,242	27,565	-
2028-2032	4,840,000	2,523,911	78,110	-
2033-2037	5,210,000	1,740,371	12,679	-
2038-2042	5,390,000	958,475	-	-
2043-2047	2,910,000	210,825	-	-
Total	<u>\$ 24,660,000</u>	<u>\$ 9,154,349</u>	<u>\$ 237,578</u>	<u>\$ 752</u>
<i>Business-Type Activities: Water</i>				
2023	\$ 345,000	\$ 97,890	\$ -	\$ -
2024	342,000	82,515	-	-
2025	340,000	69,065	-	-
2026	220,000	55,665	-	-
2027	223,000	48,190	-	-
2028-2032	900,000	163,255	-	-
2033-2035	540,000	33,750	-	-
Total	<u>\$ 2,910,000</u>	<u>\$ 550,330</u>	<u>\$ -</u>	<u>\$ -</u>

Authorized and Unissued Debt - At June 30, 2022, the Town had authorized and unissued debt as follows:

Project	Amount
Land acquisition	\$ 2,172,000
Town house renovation	2,030,000
Fire tender	400,000
Total authorized and unissued	<u>\$ 4,602,000</u>

G. Lease Liabilities

The Town is party to noncancellable leases for the purchase of public safety and public works equipment and vehicles. For financial reporting purposes, these leases have been capitalized. Lease payment requirements as of June 30, 2022 were as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 97,594	\$ 7,994	\$ 105,588
2024	112,091	8,630	120,721
2025	114,215	6,503	120,718
2026	116,386	4,334	120,720
2027	61,410	2,118	63,528
2028	43,320	754	44,074
	<u>\$ 545,016</u>	<u>\$ 30,333</u>	<u>\$ 575,349</u>

The historical costs, accumulated amortization and net carrying value of assets under lease were as follows at June 30, 2022:

Peterbilt Hook Lift Truck	\$ 165,000
Ford F350 Diesel Truck	70,000
Chevy Tahoe Chief Vehicle	55,503
Horton Ambulance - F550	275,000
Police Tasers	80,222
Less: Accumulated depreciation/amortization	<u>(35,505)</u>
Total	<u>\$ 610,220</u>

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, 2021 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, 2021, was as follows:

Retirees and beneficiaries currently receiving benefits	4,112
Active plan members	7,121
Inactive plan members	<u>2,714</u>
Total	<u>13,947</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, 2021.

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 \$2,321,536 to the System in fiscal year 2022, which equaled the actuarially-determined contribution requirement for the fiscal year.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$26,434,803 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, 2021.

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	14 years (2036), except for the 2002 and 2003 ERI which are 6 years (2028).
Asset valuation method	Market value - reduced by the sum of: 80% of gains and losses of the prior year reducing down 20% until the fourth prior year.
Investment rate of return / discount rate	7.25%, 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	2.4% per year
Mortality rates:	
Healthy retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020.
Disabled retiree	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020, set forward one year.

The System has the follow actuarial assumption changes for the year ended December 31, 2021:

Reduction of the discount rate from 7.50% to 7.25%

Increase of the inflation rate from 2.20% to 2.40%

Change in the mortality tables from RP-2014 Blue Collar using Scale MP-2018 to RP-2014 Blue Collar using Scale MP-2020

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 3.14% on December 31, 2021, which was lower than the proportion of approximately 3.23% measured at December 31, 2020.

Pension Expense – The Town recognized \$2,443,905 in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, 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	\$ -	\$ 552,880
Net differences between projected and actual earnings on pension plan investments	-	3,729,517
Changes of assumptions	2,273,068	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	203,496	648,977
Total	<u>\$ 2,476,564</u>	<u>\$ 4,931,374</u>

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

Year Ended June 30,	Amounts
2023	\$ (484,768)
2024	(965,365)
2025	(596,154)
2026	(502,527)
2027	94,004
Total	<u>\$ (2,454,810)</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, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	38%	4.22%
Fixed Income	15%	0.70%
Value-Added Fixed Income	8%	4.00%
Private Equity	15%	7.70%
Real Estate	10%	3.60%
Timber/Natural Resources	4%	4.20%
Hedge Funds	10%	3.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.25%, which represents a decrease from 7.50% 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 7.25% 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:

	<u>Discount Rate</u>			
	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Town proportionate share of net pension liability	7.25%	\$ 33,345,517	\$ 26,434,803	\$ 20,595,408

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, 2022, (measured as of June 30, 2021) the Commonwealth contributed \$3,092,696, 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 0.177%, 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:

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town portion
Net pension liability	40,163,649	(40,163,649)	-
Pension expense	3,222,966	(3,222,966)	-

The Town recognized \$3,222,966 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, 2022:

Active employees	350
Inactives currently receiving benefits	184
Total	<u>534</u>

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 2022. 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, 2022, the Town's average contribution rate was 7.24% of covered-employee payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020, were as follows:

Total OPEB liability	\$ 49,570,491
Plan fiduciary net position	<u>(2,565,167)</u>
Net OPEB liability	<u>\$ 47,005,324</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.17%

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	6.65%
Municipal Bond Rate	3.54%
Single Equivalent Discount Rate	5.65%
Inflation	2.40%
Health Care Trend Rate	7.0% for 2020, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4.0%, utilizing the Society of Actuaries Gretzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Payroll Growth	3.5% per year
Pre-Retirement Mortality - <i>General and Public Safety Employees</i>	RP-2014 Blue Collar Employees Mortality Table, projected with generational mortality improvement using scale MP-2018
<i>Teachers</i>	PUB-2010 Teachers Headcount-Weighted Employee Mortality Table, base year 2010, projected with generational mortality using Scale MP-2020
Healthy Retiree Mortality - <i>General and Public Safety Employees</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table, projected with generational mortality improvement using scale MP-2018
<i>Teachers</i>	PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality using Scale MP-2020
Disabled Retiree Mortality - <i>General and Public Safety Employees</i>	RP-2014 Blue Collar Mortality Table, set forward one year with full generational mortality improvement using scale MP-2018
<i>Teachers</i>	PUB-2010 Teachers Headcount-Weighted Disabled Mortality Table, base year 2010, projected with generational mortality using Scale MP-2020

Key Changes in Assumptions – Discount rate was increased from 5.65% to 6.05% and inflation rate was updated with this valuation. These changes resulted in a decrease to the total OPEB liability of \$3,035,000 and \$232,000, respectively. Other assumptions were also amended but were not significant.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.05% 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
Domestic equity	34.00%	4.66%
International equity	22.00%	5.88%
Domestic fixed income	20.00%	1.30%
International fixed income	4.00%	1.33%
Alternatives	20.00%	5.28%
Cash and equivalents	0.00%	0.00%
	100.00%	

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:

Net OPEB Liability	Discount Rate			
	Current Rate	1% lower	Current	1% greater
	5.65%	\$ 55,140,834	\$ 47,005,324	\$ 40,483,707

Net OPEB Liability	Health Care Rate			
	Current Rate	1% lower	Current	1% greater
	7.0% trending to 4.0%	\$ 39,029,745	\$ 47,005,324	\$ 57,251,728

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 49,831,238	\$ 2,714,632	\$ 47,116,606
Changes for the year:			
Service cost	1,683,692	-	\$ 1,683,692
Interest	2,865,258	-	2,865,258
Changes in assumptions	(3,204,882)	-	(3,204,882)
Employer contributions	-	1,854,815	(1,854,815)
Benefit payments withdrawn from trust	-	(1,604,815)	1,604,815
Net investment income	-	(399,465)	399,465
Benefit payments	(1,604,815)	-	(1,604,815)
Net changes	(260,747)	(149,465)	(111,282)
Balances at June 30, 2022	<u>\$ 49,570,491</u>	<u>\$ 2,565,167</u>	<u>\$ 47,005,324</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$4,869,015. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,984,549	\$ 5,109,520
Differences between actual and expected experience	5,378,547	1,983,921
Differences between expected and actual earnings	237,601	-
Totals	<u>\$ 11,600,697</u>	<u>\$ 7,093,441</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,	Amount
2023	\$ 519,962
2024	362,337
2025	568,796
2026	1,323,039
2027	1,570,575
Thereafter	162,547
Total	<u>\$ 4,507,256</u>

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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 13.56%. 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:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 227,346	\$ 2,273
Total	<u>\$ 227,346</u>	<u>\$ 2,273</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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did have a material impact on the Town's 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 established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's 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 was 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 became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

Future Implementations –

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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public

partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 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 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensate Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

TOWN OF SOUTHBOROUGH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset)	3.14%	3.23%	3.22%	3.19%	3.19%	3.15%	3.14%	3.23%
Town's proportionate share of the net pension liability (asset)	\$ 26,434,803	\$ 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	\$ 10,275,823	\$ 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	257.25%	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	56.20%	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,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,321,536	\$ 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>2,321,536</u>	<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>	<u>\$ -</u>
Town's covered payroll	\$ 10,275,823	\$ 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	22.59%	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, 2022

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,							
	2021	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%	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%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,706,876	\$ 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	\$ 1,748,483	\$ 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, 2022

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	June 30					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 1,683,692	\$ 931,942	\$ 889,551	\$ 1,102,359	\$ 1,408,106	\$ 1,414,513
Interest	2,865,258	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	(3,204,882)	8,145,723	83,922	(6,007,783)	-	-
Benefit payments	(1,604,815)	(1,458,469)	(1,231,651)	(1,255,235)	(1,169,027)	(688,801)
Net change in total OPEB liability	(260,747)	16,452,018	(1,644,036)	(4,176,549)	4,376,622	7,998,547
Total OPEB liability - beginning of year	49,831,238	33,379,220	35,023,256	39,199,805	34,823,183	26,824,636
Total OPEB liability - end of year (a)	<u>\$ 49,570,491</u>	<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	\$ 1,854,815	\$ 1,708,469	\$ 1,481,651	\$ 1,505,235	\$ 1,419,027	\$ 938,801
Net investment income	(399,465)	609,270	35,991	78,416	66,625	67,927
Benefit payments	(1,604,815)	(1,458,469)	(1,231,651)	(1,255,235)	(1,169,027)	(688,801)
Net change in Plan fiduciary net position	(149,465)	859,270	285,991	328,416	316,625	317,927
Plan fiduciary net position - beginning of year	2,714,632	1,855,362	1,569,371	1,240,955	924,330	606,403
Plan fiduciary net position - end of year (b)	<u>\$ 2,565,167</u>	<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>\$ 47,005,324</u>	<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	5.17%	5.45%	5.56%	4.48%	3.17%	2.65%
Covered-employee payroll	\$ 25,627,949	\$ 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	183.41%	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, 2022

SCHEDULE OF CONTRIBUTIONS LAST 10 FISCAL YEARS						
	June 30					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 5,075,423	\$ 3,406,099	\$ 3,156,233	\$ 3,451,305	\$ 3,135,467	\$ 2,954,779
Contributions in relation to the actuarially-determined contribution	(1,854,815)	(1,708,469)	(1,481,651)	(1,505,235)	(1,419,027)	(938,801)
Contribution deficiency (excess)	\$ 3,220,608	\$ 1,697,630	\$ 1,674,582	\$ 1,946,070	\$ 1,716,440	\$ 2,015,978
Covered-employee payroll	\$ 25,627,949	\$ 24,234,544	\$ 23,409,824	\$ 22,223,655	\$ 21,576,364	\$ 19,326,334
Contribution as a percentage of covered-employee payroll	7.24%	7.05%	6.33%	6.77%	6.58%	4.86%
Valuation Date	July 1, 2020					
Amortization Period	30 years					
Investment Rate Of Return	6.65%					
Municipal Bond Rate	3.54%					
Single Equivalent Discount Rate	6.05%					
Inflation	2.40%					
Healthcare cost trend rates	7.0% to 5.4%					
Payroll Growth	3.50%					
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					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-13.56%	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, 2022

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Postive
	Budget	Budget	Amounts		Adjusted	(Negative)
Revenues						
Real estate and personal property taxes, net	\$ 46,009,603	\$ 46,009,603	\$ 46,376,467	\$ -	\$ 46,376,467	\$ 366,864
Intergovernmental	4,480,124	4,480,124	4,667,876	-	4,667,876	187,752
Motor vehicle and other excises	2,185,500	2,185,500	2,493,575	-	2,493,575	308,075
Departmental and other revenue	937,025	937,025	963,124	-	963,124	26,099
Licenses and permits	425,000	425,000	1,032,834	-	1,032,834	607,834
Penalties and interest on taxes	60,000	60,000	87,968	-	87,968	27,968
Fines and forfeitures	60,000	60,000	64,368	-	64,368	4,368
Investment income	65,000	65,000	46,536	-	46,536	(18,464)
Total Revenues	54,222,252	54,222,252	55,732,748	-	55,732,748	1,510,496
Expenditures						
General government	4,649,994	4,649,994	4,097,293	283,271	4,380,564	269,430
Public safety	5,370,252	5,370,252	5,284,079	10,555	5,294,634	75,618
Education	30,754,175	30,754,175	30,441,249	209,119	30,650,368	103,807
Public works	3,604,230	3,604,230	2,565,589	912,054	3,477,643	126,587
Health and human services	895,904	895,904	856,683	12,709	869,392	26,512
Culture and recreation	733,379	733,379	696,416	-	696,416	36,963
Pensions and fringe benefits	8,649,793	8,649,793	8,467,662	95,718	8,563,380	86,413
State and county tax assessments	237,965	237,965	280,631	-	280,631	(42,666)
Debt service	3,325,122	3,325,122	3,317,129	-	3,317,129	7,993
Total Expenditures	58,220,814	58,220,814	56,006,731	\$ 1,523,426	57,530,157	690,657
Other Financing Sources (Uses)						
Transfers in	741,815	741,815	777,378		777,378	35,563
Transfers out	(250,000)	(250,000)	(250,000)		(250,000)	-
Total Other Financing Sources (Uses)	491,815	491,815	527,378		527,378	35,563
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses Of Prior Year Budgetary Fund Balance	(3,506,747)	(3,506,747)	\$ 253,395		\$ (1,270,031)	\$ 2,236,716
Other Budgetary Items						
Use of free cash (unassigned fund balance)	1,540,293	1,540,293				
Use of overlay surplus	272,031	272,031				
Prior year encumbrances	1,694,423	1,694,423				
	\$ -	\$ -				

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, 2022

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 Select Board. 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 2022, 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, 2022, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 55,732,748
Stabilization revenues	\$ -	\$ (937)	(937)
MTRS on-behalf payment	3,222,966	-	3,222,966
Revenues on a GAAP basis	<u>\$ 3,222,966</u>	<u>\$ (937)</u>	<u>\$ 58,954,777</u>
Expenditures on a budgetary basis			\$ 56,006,731
OPEB transfer	\$ -	\$ 250,000	250,000
Enterprise indirect costs	(204,695)	-	(204,695)
MTRS on-behalf payment	3,222,966	-	3,222,966
Expenditures on a GAAP basis	<u>\$ 3,018,271</u>	<u>\$ 250,000</u>	<u>\$ 59,275,002</u>
Net other financing sources (uses) on a budgetary basis			\$ 527,378
OPEB transfer	\$ -	\$ 250,000	250,000
Enterprise indirect costs	(204,695)	-	(204,695)
Net other financing sources (uses) on a GAAP basis	<u>\$ (204,695)</u>	<u>\$ 250,000</u>	<u>\$ 572,683</u>