



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

March 18, 2024

Town of Southborough
Select Board
Southborough, MA

Dear Honorable Board:

We have audited the financial statements of the Town of Southborough, Massachusetts “the Town” as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Audit Standards*, issued by the Comptroller General of the United States of America, as well as certain information related to the planned scope and timing of our audit. We communicated such information to the Town’s management prior to our commencement of auditing procedures. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Scope limitation

There were no scope limitations.

GAAP Departure

There were no GAAP departures.

Material Weaknesses/Significant Deficiencies

There were no material weaknesses or significant deficiencies.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ

significantly from those expected. The most sensitive estimates affecting the Town's financial statements were:

The presentation of the Town's total pension liability and related accounts is determined through biennial actuarial studies, which are rolled forward by an actuary to June 30 each year. We have received an AU805 report from the independent auditor of the County pension system.

The presentation of the Town's total OPEB liability and related accounts is determined through biennial actuarial studies, which are rolled forward by an actuary to June 30 each year. We have received the actuarial report from the actuary.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are those that describe the Town's net pension and OPEB liabilities at June 30, 2023.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the Town's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 18, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following highlight some items we wish to communicate:

1. The Town took advantage of the great interest rate environment. Interest earned in the General Fund was \$343,000 versus about \$45,000 in the prior year. We continue to encourage management to seek safe high yielding legally allowable investments for its excess cash. Turning cash into a revenue producing asset is an additive bonus to other general fund revenues.
2. We continue to remind our clients of the importance of maintaining critical controls over its security and cyber operations. Continued training of employees and implementation of cybersecurity controls should be an ongoing annual process.
3. Fraud prevention is an area that should be under ongoing evaluation. Evaluating cash processes of cash handling areas annually through effective risk assessment and proper safeguards is an effective control to protect the Town from threats associated with fraud. We will discuss this with management annually through our risk assessment procedures to assure that management is monitoring this critical aspect of government.
4. ARPA – As the deadline for obligating funds received from the American Rescue Plan Act approaches, we remind our clients that funds must be obligated by way of a legal commitment or purchase order by December 31, 2024. Merely implementing a plan by approval of the Select Board is not sufficient.
5. Management of Long Term Liabilities – The Town made progress in its management of the OPEB liability. A change in benefit terms combined with the annual \$250,000 contribution in a favorable interest rate environment served to reduce the liability by about \$5 million and increased the plan asset ratio to nearly 7%. This places the Town around the mean when compared to its peers.

With respect to the pension liability managed through the Worcester County Contributory Retirement System, poor market conditions in calendar 2022 reduced its plan asset ratio below 50%. Basically, back to 2015 ratios. With a funding schedule set to mature in 2035, the Town can expect to see a rise in assessments through and until maturity. Given that calendar 2023 yielded better than expected market conditions, we would expect the pension system to recover the value that it had lost when the next actuarial valuation is completed.

6. With respect to OPEB, it is important that the Town plan the process of delivering results earlier in the audit season. The fiscal 2023 audit was delayed due to a late OPEB valuation completion, and this should be avoided in the future. We generally find that beginning the process at least 3 months ahead of the audit process yields the most timely results.
7. In the prior year we discussed the increase in delinquent ambulance receivables over the past several years. The Town responded to this observation by completing an analysis of the receivables and abating a substantial amount that will most likely never be collected. In addition, an annual review of the process was implemented. We consider this resolved.

8. In the prior year we discussed the significant level of stale accounts in special revenue and capital projects. The Town responded to this observation by (1) repurposing balances, (2) finding appropriate spending uses, and (3) closing out minor balances. We consider this resolved.
9. In the prior year we discussed that the Town carried a very high allowance for abatement account balance when measured with accounts at the appellate tax board and the actual receivable balance. Further analysis in the current year determined that this is a timing item. Approximately \$250,000 - \$275,000 is released and repurposed at the beginning of the subsequent year. We consider this resolved.

Other Matters

We applied certain limited procedures to the Town's required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We also made verbal communications about matters that we deemed appropriate to Town Management throughout the course of the engagement and through the time of issuance of the financial statements.

Restriction on Use

This information is intended solely for the information and use of the Select Board and management of the Town of Southborough and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Roselli Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts