



Bill Fraher, CPA

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2014

(With Independent Auditor's Report Thereon)

TOWN OF NORTHBOROUGH, MASSACHUSETTS

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Independent Auditor's Report

The Board of Selectman
Town Of Northborough, Massachusetts:

Report on the Financial Statements

I 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 Northborough, Massachusetts, as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund,

and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 15 and certain pension information on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated November 18, 2014 on my consideration of the Town of Northborough's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bill Fraher, CPA
November 18, 2014



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

The Honorable Board of Selectmen
Town of Northborough, Massachusetts:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements and have issued my report thereon dated November 18, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Northborough's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Northborough's internal control.

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

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

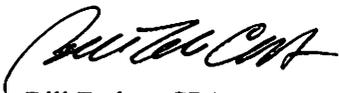
Compliance and Other Matters

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

I noted certain other matters that I reported to management of the Town of Northborough, Massachusetts, in a separate letter dated November 18, 2014.

Purpose of this Report

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



Bill Fraher, CPA
November 18, 2014

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2014

This section of the Town of Northborough's annual financial report presents a discussion and analysis of the Town's financial activities during the fiscal year ending June 30, 2014. Please read it in conjunction with the information in front of this report and the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's Net Position is \$59,658,444 at the close of FY2014 (full accrual basis). The amount is composed of \$42,555,450 for Governmental Activities and \$17,102,994 for Business-type Activities (Water/Sewer Enterprise Funds). See below for a historical summary of the Town's primary component, Governmental Activities.

NET POSITION - GOVERNMENTAL ACTIVITIES				
FISCAL YEAR	2011*	2012*	2013	2014
<u>ASSETS / DEFERRED OUTFLOWS</u>				
CURRENT ASSETS	25,389,468	25,824,671	26,647,024	27,205,569
NON-CURRENT ASSETS	49,668,281	49,897,753	48,307,566	48,961,146
DEFERRED OUTFLOWS	18,418,072	19,286,233	20,443,307	20,777,318
	93,475,821	95,008,657	95,397,897	96,944,033
<u>LESS LIABILITIES / DEFERRED INFLOWS</u>				
CURRENT LIABILITIES	4,548,048	5,564,903	4,200,419	4,509,008
LONG TERM LIABILITIES				
DEBT/OTHER	18,172,151	16,436,130	16,295,035	14,462,827
OPEB	6,854,780	9,370,707	11,942,389	14,639,430
DEFERRED INFLOWS	18,418,072	19,286,233	20,443,307	20,777,318
	47,993,051	50,657,973	52,881,150	54,388,583
<u>NET POSITION</u>				
INVESTED IN CAPITAL	32,739,227	34,501,367	33,953,346	34,767,134
RESTRICTED	7,448,783	7,015,701	9,080,689	10,860,355
UNRESTRICTED	5,294,760	2,833,616	(517,288)	(3,072,039)
	45,482,770	44,350,684	42,516,747	42,555,450

*GASB 63 & 65 starting FY2013 reflect "Net Assets" being renamed "Net Position," and Deferred Outflows/Inflows being presented separate from Assets/Liabilities in the full accrual financial statements. The table makes the adjustment for prior years for comparison purposes.

- At the end of FY2014, Unassigned Fund Balance of the General Fund was \$8,825,591 (modified accrual basis). See the table below for history.

UNASSIGNED FUND BALANCE				
FISCAL YEAR	2011*	2012*	2013	2014
GENERAL FUND	2,359,518	3,008,047	2,839,098	5,138,799
STABILIZATION FUND	<u>3,605,888</u>	<u>3,660,076</u>	<u>3,646,820</u>	<u>3,686,792</u>
	5,965,406	6,668,123	6,485,918	8,825,591

*Stabilization was reported as "Committed" in prior years. As unrestricted Stabilization Funds are best classified as "Unassigned," the Stabilization Fund balance is included within the General Fund in 2013. The table makes the adjustment for comparison purposes.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements- The government-wide financial statements report information about the Town with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net position presents information of all the Town's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as "Net Position." Because the reporting unit is seeking to report on ALL assets, deferred outflows, liabilities and deferred inflows, net position can be described as a measure of net worth. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial health of the Town is improving or deteriorating on a long term basis.

The statement of activities presents information showing how the Town's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g. uncollected taxes and vacation time earned but unused). The Town's OPEB liability (Other Post Employment Benefit) is recorded in the Government-wide financial statements.

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities** – Governmental activities of the Town such as general government, public works, public safety, public roads, education, health, recreation and culture are reported here. Property taxes, state aid and local fees and charges finance most of these activities.
- **Business-type activities** – The Town charges fees to users to help cover the cost of certain services it provides. The Town's water and sewer operations are included here.

The government-wide financial statements can be found on pages 16 - 17 of this report.

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 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, proprietary, and fiduciary funds.

Governmental funds- Similar to the governmental activities in the government-wide financial statements, most of the Town's basic services are presented here. However, unlike the

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

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June 30, 2014

government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balance of available resources at the end of the fiscal year, and the difference between the assets, deferred outflows, liabilities and deferred inflows, or "fund balance," can be described as a measure of liquidity rather than net worth.

Because the focus of governmental funds is short-term and government-wide funds are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Note that the Town's OPEB liability is not recorded in the governmental fund financial statements while it is shown in the government-wide statements.

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 which is considered a major fund. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each nonmajor governmental fund type is provided in the form of combining statements.

The Town adopts an annual budget for its general fund and its enterprise funds. A budgetary comparison schedule for the general fund is presented to show how actual results (on a budgetary basis of accounting) compared with the original and final budget. The governmental fund financial statements can be found on pages 18 - 19. Reconciliations to the entity wide statements appear on pages 20 - 21 and budget to actual information appears on page 22.

Proprietary funds- The Town uses enterprise funds (one type of proprietary fund) to account for water and sewer which are considered to be major funds. While the Town also accounts for solid waste as an enterprise fund, it is reported as a nonmajor governmental fund within the financial statements and not as proprietary, due to its specific circumstances. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 23 - 25.

Fiduciary funds- Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town is the trustee, or fiduciary. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Town's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds. The fiduciary fund financial statement is on page 26.

Notes to the basic financial statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27 - 44.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

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June 30, 2014

Other information- In addition to the basic financial statements and accompanying notes this report also presents supplementary information, which pertains to nonmajor governmental funds. Supplementary information can be found on pages 45 - 47.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's long-term financial health. The Town's net position (the amount by which assets and deferred outflows exceeded liabilities and deferred inflows) was \$59.7M at the close of FY2014, as compared to \$58.4M at the end of FY2013. Of the \$59.7M, \$2.2M is considered unrestricted (unrestricted net position). Unrestricted net position generally reflects assets that are available to meet the ongoing obligations and activities of an entity. The negative unrestricted net position of the Town's governmental activities at the end of FY2014, -\$3.1M, reflects the effect of the Town's OPEB liability being phased in on the financial statements. The unrestricted net position of the Town's business-type activities is \$5.3M. See the Statement of Net Position, on page 16 for more detail.

The largest portion of the Town's net position reflect its investment in capital assets (e.g. land, buildings, infrastructure, furniture and equipment), less any outstanding debt issued to acquire those assets. 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.

During FY2014, total net position of the Town increased by \$1.2M (2.13%). In total, the net position of Governmental Activities increased by \$39K (.09%) while net position of Business-Type Activities increased by \$1.2M (7.59%). The following table provides a broad summary of the changes from the prior year, for both its primary component, Governmental Activities, and its Business-Type Activities.

TWO YEAR COMPARISON – NET POSITION				
FISCAL YEAR	<u>2013</u>	<u>2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
ASSETS & DEF OUTFLOWS	95,397,897	96,944,033	1,546,136	1.62%
LESS LIAB & DEF INFLOWS	52,881,150	54,388,583	1,507,433	2.85%
NET POSITION	42,516,747	42,555,450	38,703	.09%
<u>BUSINESS-TYPE ACTIVITIES</u>				
ASSETS	23,213,859	23,742,108	528,249	2.28%
LESS LIABILITIES	7,317,683	6,639,114	(678,569)	-9.27%
NET POSITION	15,896,176	17,102,994	1,206,818	7.59%
COMBINED NET POSITION	58,412,923	59,658,444	1,245,521	2.13%

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2014

To better understand the changes from the prior year, the components of the amounts should be examined in further detail. The following table reflects a more detailed two year comparison of certain aspects of the Town's balance sheet for its primary component, Governmental Activities.

TWO YEAR COMPARISON - GOVERNMENTAL ACTIVITIES				
FISCAL YEAR	2013	2014	\$ CHANGE	% CHANGE
<u>ASSETS / DEFERRED OUTFLOWS</u>				
CURRENT ASSETS	26,647,024	27,205,569	558,545	2.10%
NON-CURRENT ASSETS	48,307,566	48,961,146	653,580	1.35%
DEFERRED OUTFLOWS	20,443,307	20,777,318	334,011	1.63%
	95,397,897	96,944,033	1,546,136	1.62%
<u>LESS LIABILITIES / DEFERRED INFLOWS</u>				
CURRENT LIABILITIES	4,200,419	4,509,008	308,589	7.35%
LONG TERM LIABILITIES				
DEBT/OTHER	16,295,035	14,462,827	-1,832,208	-11.24%
OPEB	11,942,389	14,639,430	2,697,041	22.58%
DEFERRED INFLOWS	20,443,307	20,777,318	334,011	1.63%
	52,881,150	54,388,583	1,507,433	2.85%
<u>NET POSITION</u>				
INVESTED IN CAPITAL	33,953,346	34,767,134	813,788	2.40%
RESTRICTED	9,080,689	10,860,355	1,779,666	19.60%
UNRESTRICTED	(517,288)	(3,072,039)	(2,554,751)	-493.87%
	42,516,747	42,555,450	38,703	.09%

It is important to note the inclusion of the OPEB liability for the sixth year, as required by GASB Statement 45. The continued recognition of the liability is the most significant and material change in the balance sheet from the prior year. The OPEB liability reflects an estimate of future benefit costs, primarily health insurance, owed to current employees and retirees after retirement. The figures come from a valuation performed by an actuary, and the total liability is amortized over thirty years on the government-wide financial statements. The recognized OPEB liability is \$14.9M (\$291K of this is allocated to the Business-Type Activities) for the first six years of this schedule; while the total actual liability, UAAL (Unfunded Actuarial Accrued Liability), was \$32.6M at the time of last valuation (July 1, 2012). Within Governmental Activities, the change in OPEB liability by \$2.7M primarily contributed to a decline unrestricted net position.

OPEB liabilities will continue to mount, unless resources are committed to an irrevocable trust fund to pre-fund future liability. The Town continues to pay as it goes, i.e. funding actual (current year) costs alone in the annual operating budget. The Town adopted enabling legislation in 2011 to create the trust fund, however had not yet committed funds to it through FY2014. However, the Town will begin substantive contributions to the trust fund in FY2015. For more information on OPEB, see Note 11 to the Financial Statements starting on page 41.

Under GASB Statement 34 fixed assets (e.g. capital investments and infrastructure) are required to be valued and depreciated on the Town's financial statements. The residual value, net of debt related to the acquisition of the assets, is reflected in Net Position Invested in Capital Assets. The table reflects an increase of \$814K in this category, which reflects that investment in capital from current resources and payments toward related debt within the current year net of depreciation led

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2014

to a positive effect in the Town's Net Position. While the underlying value of the fixed assets show a decrease from the prior year, reflecting that the current year investment did not outpace depreciation. In addition, the effect of the Town's strategy toward investment in capital using current resources ("Free Cash") without incurring debt can be seen in the increase in Restricted Net Position, due to funds having been committed to capital, but not yet expended.

The Statement of Activities, on page 17, shows the results of operations that effected the changes to the balance sheet. Following is a table demonstrating a summary of those activities.

TWO YEAR COMPARISON – SUMMARIZED COMBINED ACTIVITIES				
FISCAL YEAR	2013	2014	\$ CHANGE	% CHANGE
<u>GOVERNMENTAL ACTIVITIES</u>				
REVENUE				
PROGRAM REVENUE	12,652,827	13,833,969	1,181,142	9.34%
GENERAL REVENUE	43,851,070	46,136,759	2,285,689	5.21%
	<u>56,503,897</u>	<u>59,970,728</u>	<u>3,466,831</u>	<u>6.14%</u>
EXPENSES	<u>58,337,834</u>	<u>59,932,025</u>	<u>1,594,191</u>	<u>2.73%</u>
CHANGE IN NET POSITION	(1,833,937)	38,703	1,872,640	
<u>BUSINESS-TYPE ACTIVITIES</u>				
REVENUE				
WATER	2,187,134	2,587,504	400,370	18.31%
SEWER	1,588,541	1,836,623	248,082	15.61%
	<u>3,775,675</u>	<u>4,424,127</u>	<u>648,452</u>	<u>17.17%</u>
EXPENSES				
WATER	1,776,920	1,900,654	123,734	6.96%
SEWER	1,120,634	1,316,655	196,021	17.49%
	<u>2,897,554</u>	<u>3,217,309</u>	<u>319,755</u>	<u>11.04%</u>
CHANGE IN NET POSITION	878,121	1,206,818	328,697	

The preceding table reflects that revenue from the Town's total Governmental Activities totaled \$59.97M which is a 6.14% increase above the prior year while expenditures were \$59.93M, an increase of 2.73% above the prior year.

While examining the modest positive change in the Net Position of the Governmental Activities, it is important to note the mitigating effect of the increase in OPEB liability. The annual phased increase in OPEB on the balance sheet of \$2.70M is included within the \$59.93M expenses of the Governmental Activities. Likewise, \$48K is the OPEB related expense included within the \$3.22M total expense of the Business-Type Activities.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

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The following table demonstrates the largest source of revenue is Property Taxes (70.20% of total). The second largest source of revenue in FY2014 are grants dedicated to specific programs, Operating Grants (15.66% of total). \$8.3M of the \$9.4M in Operating Grants represents aid to the Town's schools, the majority of which is unrestricted state aid for education (Chapter 70) and the state's funding \$3.5M toward the teachers retirement system (MTRS) on behalf of the Town.

TWO YEAR COMPARISON – GOVERNMENTAL REVENUE				
FISCAL YEAR	2013	2014	% TOTAL	% CHANGE
<u>Program Revenues</u>				
Charges for Services	3,071,678	3,376,111	5.63%	9.91%
Operating Grants/Contributions	9,238,038	9,394,105	15.66%	1.69%
Capital Grants/Contributions	343,111	1,063,753	1.77%	210.03%
	12,652,827	13,833,969	23.07%	9.34%
<u>General Revenues</u>				
Property Taxes	40,083,166	42,101,495	70.20%	5.04%
Excise Taxes	2,292,840	2,564,583	4.28%	11.85%
Payment in Lieu of Taxes	111,127	111,146	0.19%	.02%
Intergovernmental	1,232,830	1,129,214	1.88%	-8.40%
Unrestricted Investment Earnings	(4,168)	85,158	0.14%	2,143.14%
Miscellaneous	160,275	145,163	0.24%	-9.43%
Transfers	(25,000)	0	0.00%	100.00%
	43,851,070	46,136,759	76.93%	5.21%
TOTAL REVENUE	56,503,897	59,970,728	100.00%	6.14%

In FY2014 the Town's expenditures totaled \$59.93M, an increase of 2.73% above the prior year. The largest category for expenditures was Education at \$42.2M, which represents 70.35% of the total.

TWO YEAR COMPARISON – GOVERNMENTAL EXPENDITURES				
FISCAL YEAR	2013	2014	% TOTAL	% CHANGE
General Government	3,609,572	3,430,268	5.72%	-4.97%
Public Safety	6,325,788	6,470,124	10.80%	2.28%
Education	40,752,848	42,162,673	70.35%	3.46%
Public Works	4,374,792	4,516,087	7.54%	3.23%
Human Services	817,664	919,904	1.53%	12.50%
Recreation & Culture	1,778,507	1,903,650	3.18%	7.04%
Interest on Debt Service	678,663	529,319	0.88%	-22.01%
	58,337,834	59,932,025	100.00%	2.73%

Business-type Activities- Total revenues from Water and Sewer were \$4.4M. Water revenues were \$2.6M and sewer revenues were \$1.8M. Water revenues exceeded expenses by \$687K, and Sewer revenues exceeded expenses by \$520K. The vast majority of Business-Type revenues, 99.93% were generated from charges for services (user fees and special assessments). See the Proprietary Statements, on pages 23 - 25 for more details.

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FINANCIAL ANALYSIS OF THE TOWN'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 the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's short term 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. See this statement on page 18.

Starting in FY2011, the governmental funds reflect changes in fund balance definitions following GASB Statement 54. The intention of GASB 54 is to bring consistency to financial reporting across different governments. With new definitions GASB seeks to clarify "Fund Balance" in order to demonstrate "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent," rather than simply demonstrating what is available for appropriation. The following table reflects a comparison of year end fund balances for FY2013 and FY2014, and it should be understood that GASB 54 requires the "Stabilization Fund" to be included in the general fund.

GOVERNMENTAL FUND BALANCE SUMMARY				
<u>GENERAL FUND</u>	<u>2013</u>	<u>2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	1,959,307	650,000	(1,309,307)	-66.83%
Assigned	810,566	603,853	(206,713)	-25.50
Unassigned*	6,485,918	8,825,591	2,339,673	-36.07%
TOTAL FUND BALANCE	9,255,791	10,079,444	823,653	8.90%
<i>*Includes Stabilization Fund</i>	<i>3,646,820</i>	<i>3,686,792</i>	<i>39,972</i>	<i>1.10%</i>

The General Fund is the chief operating fund of the Town, and the preceding table shows that the General Fund's total fund balance increased in effect by \$824K.

At the end of FY2014, the Town's governmental funds reported combined ending fund balances of \$21.2M. With \$10.1M being the General Fund's fund balance, and \$11.1M being other "Nonmajor" Governmental Funds. The Nonmajor Funds consist of other funds which have Governmental purposes but are required to be accounted for separate from the General Fund either by grantors or legislation. See Note 8 on page 39 for more information on the Nonmajor Funds.

Approximately 88% of the total General Fund fund balance will be available for spending at the Town's discretion (Unassigned fund balance). The remaining 12% is segregated into other classes of fund balance to show limitations or restrictions on those amounts: 1) Assigned, to liquidate contracts and encumbrances of the period, \$604K; 2) Committed, for specific purposes, \$650K. The component defined as "Committed," consists of the amounts appropriated by the

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legislative body (Town Meeting) for use in the FY2015 operating budget (i.e. from "Free Cash"): \$500K for the operating budget, \$150K to fund the annual reserve fund.

Again, unassigned fund balance of the general fund was \$8.8M at the end of FY2014, while total fund balance was \$10.1M. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures, \$52.2M. Unassigned fund balance represents 16.91% of total general fund expenditures (or 9.85% without stabilization), while total fund balance equals 19.32% of that same amount.

Proprietary funds- The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of FY2014 totaled \$17.1M. Unrestricted net position totaled \$5.3M consisting of \$1.7M in the water fund and \$3.6M in the sewer fund. See pages 23 - 25 for more details.

Budgetary highlights- During FY2014, appropriations were made in the amount of \$894K to fund capital articles therefore the original budget was increased by this amount (operating transfers out). In addition to this adjustment, reallocation of expense budgets were made by reserve fund and other transfers within categories. Since Massachusetts General Law requires the budget to be balanced, the final FY2014 budget was balanced using a total of \$2.9M allocated from Fund Balance, meaning appropriations were made above the revenues and operating transfers in expected in the current year.

Actual results yielded a positive \$1.0M to Fund Balance, which led to an overall \$3.9M favorable variance against budgeted results. So, rather than draw down fund balance with the planned "deficiency" of resources by \$2.9M, positive results in FY2014 instead returned \$1.0M to fund balance.

One element responsible for the overall favorable performance was "Transfers from other funds," which included revenues that were received in a prior fiscal year and held outside of the General Fund, totaling \$1.0M. These were primarily permit fees held in performance of a contract the Town had entered with a developer, which has since been completed.

Actual revenues were greater than the budget by \$1.5M overall (3.1%). The most significant source was excise tax collections (primarily motor vehicle), amounting to a \$639K result above budget. Also significant were positive property tax collections (\$363K above budget), and Intergovernmental payments (\$312K above budget).

Expenditures were less than budget by \$1.3M (2.6%) with many departments not expending the full amount of budgeted appropriations. However, the expense category most responsible for the favorable performance is "Employee Benefits." Underlying this category is health insurance that came in less than budget due to favorable renewal rates which followed changes in plan designs. This category closed out \$500K. The second most significant close-out was in "General Government," which released \$472K, which was primarily due to personnel following the settlement of collective bargaining agreements.

See the comparison schedule on page 22, for a more detailed display of these figures, and see Note 2 starting on page 32 for further explanation.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets- The Town's investment in capital assets for governmental and business-type activities as of June 30, 2014, amounts to \$65M net of \$62M in accumulated depreciation. The investment in capital assets includes land; buildings; improvements; machinery and equipment; park facilities; streets; sidewalks; and water and sewer systems. Governmental Activities infrastructure includes improvements that were put in service after 1980. Following is a table summarizing the value by category.

SUMMARY OF FIXED ASSET VALUES			
Category	<u>Governmental</u> Activities	<u>Business-type</u> Activities	Total
Land	\$8,133,175	\$2,771,038	\$10,904,213
Buildings & improvements	32,597,691	4,703,635	37,301,326
Equipment & machinery	15,463,209	1,575,046	17,038,255
Infrastructure	30,902,882	22,360,281	53,263,163
Construction in progress	7,620,105	840,138	8,460,243
Accumulated depreciation	(47,180,124)	(14,899,201)	(62,079,325)
Total	\$47,536,938	\$17,350,937	\$64,887,875

The next table may be helpful in gaining an understanding of the effect of depreciation and capital additions made during FY2014 on the Government-wide statements.

TWO YEAR COMPARISON – FIXED ASSET VALUES				
FISCAL YEAR	<u>2013</u>	<u>2014</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Beginning Value	49,897,753	48,307,566	(1,590,187)	-3.19%
Additions	1,147,790	2,237,100	1,089,310	
Deletions	71,164	290,340	219,176	
Net Additions	1,076,626	1,946,760	870,134	80.82%
Net Depreciation Expense	2,666,813	2,717,388	50,575	1.90%
Ending Value	48,307,566	47,536,938	(770,628)	-1.60%
<u>BUSINESS-TYPE ACTIVITIES</u>				
Beginning Value	18,061,036	17,656,987	(404,049)	-2.24%
Net Additions	88,537	181,062	92,525	104.5%
Net Depreciation Expense	492,586	487,112	(5,474)	-1.11%
Ending Value	17,656,987	17,350,937	(306,050)	-1.73%
COMBINED VALUE	65,964,553	64,887,875	(1,076,678)	-1.63%

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 35 - 36.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

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Long-term obligations- At June 30, 2014 the Town had total long term obligations outstanding of \$35.6M, of which \$29.1M was from Governmental Activities and \$6.5M from Business-Type activities. Included in this amount is "Compensated Absences," OPEB, and "Bonds Payable," which is the principal due on long term debt, \$20M (\$14M Governmental/ \$6M Business-Type).

All debt is a general obligation of the Town, although water and sewer debt service payments are made from the resources of the enterprise funds. The following table shows the amount of long term debt outstanding in conjunction with short term notes (BANS). In addition to the debt shown in the table below, the Town has authorized and unissued debt in the amount of \$31.5M, these are amounts that due to timing have not been issued, however the Town has the ability to issue without further action by the legislative body. It is important to consider these amounts in conjunction with issued debt to understand the long-term obligations as a whole. The table below shows a history of the debt outstanding along with authorized unissued debt at the end of the four most recent fiscal years:

OUTSTANDING & AUTHORIZED UNISSUED DEBT				
FISCAL YEAR	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Long Term Debt	17,913,746	16,148,000	16,015,796	14,194,012
Short Term Debt	1,151,680	1,380,330	-	-
Authorized Unissued Debt	2,120,762	1,749,000	712,789	25,773,976
Total	21,186,188	19,277,330	16,728,585	39,967,988
<u>BUSINESS-TYPE ACTIVITIES</u>				
Outstanding Long Term Debt	8,352,512	7,494,335	6,957,316	6,230,538
Outstanding Short Term Debt	-	223,370	-	-
Authorized Unissued Debt	4,000,000	3,776,630	3,776,630	5,751,630
Total	12,352,512	11,494,335	10,733,946	11,982,168
<u>COMBINED</u>				
Outstanding Long Term Debt	26,266,258	23,642,335	22,973,112	20,424,550
Outstanding Short Term Debt	1,151,680	1,603,700	-	-
Authorized Unissued Debt	6,120,762	5,525,630	4,489,419	31,525,606
Total	33,538,700	30,771,665	27,462,531	51,950,156

Moody's Investor Services, Inc. rates the Town's bonds Aa2. Additional information on the Town's debt and long-term obligations can be found in Notes 5, 6, and 7 beginning on page 36.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 17,573,415	4,139,574	21,712,989
Investments	6,944,860	-	6,944,860
Receivables (net of allowance for uncollectibles)	1,800,359	949,134	2,749,493
Due from commonwealth	862,231	6,683	868,914
Other assets	24,704	-	24,704
Total current assets	<u>27,205,569</u>	<u>5,095,391</u>	<u>32,300,960</u>
Non-current assets:			
Special Assessments	-	1,214,021	1,214,021
Due from Commonwealth	1,424,208	81,759	1,505,967
Capital assets:			
Assets not being depreciated	14,873,112	3,611,176	18,484,288
Assets being depreciated, net	<u>32,663,826</u>	<u>13,739,761</u>	<u>46,403,587</u>
Total non-current assets	<u>48,961,146</u>	<u>18,646,717</u>	<u>67,607,863</u>
Total assets	<u>76,166,715</u>	<u>23,742,108</u>	<u>99,908,823</u>
<u>Deferred Outflows of Resources</u>			
Property taxes billed in advance	<u>20,777,318</u>	<u>-</u>	<u>20,777,318</u>
<u>Liabilities</u>			
Current liabilities:			
Warrants and accounts payable	1,502,102	14,135	1,516,237
Accrued payroll and withholdings	2,830,863	16,878	2,847,741
Other accrued liabilities	41,370	-	41,370
Accrued interest payable	<u>134,673</u>	<u>62,180</u>	<u>196,853</u>
Total current liabilities	<u>4,509,008</u>	<u>93,193</u>	<u>4,602,201</u>
Long-term liabilities:			
Due within one year:			
Compensated absences	168,875	24,498	193,373
Bonds payable	1,606,532	698,000	2,304,532
Due in more than one year:			
Compensated absences	99,940	-	99,940
Other post employment benefits	14,639,430	290,885	14,930,315
Bonds payable	<u>12,587,480</u>	<u>5,532,538</u>	<u>18,120,018</u>
Total long-term liabilities	<u>29,102,257</u>	<u>6,545,921</u>	<u>35,648,178</u>
Total liabilities	<u>33,611,265</u>	<u>6,639,114</u>	<u>40,250,379</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	<u>20,777,318</u>	<u>-</u>	<u>20,777,318</u>
<u>Net Position</u>			
Net investment in capital assets	34,767,134	11,202,158	45,969,292
Restricted for:			
Permanent funds - nonexpendable	586,323	-	586,323
Permanent funds - expendable	178,370	-	178,370
Capital projects	3,893,813	635,279	4,529,092
Grants and other	6,201,849	-	6,201,849
Unrestricted	<u>(3,072,039)</u>	<u>5,265,557</u>	<u>2,193,518</u>
Total net position	<u>\$ 42,555,450</u>	<u>17,102,994</u>	<u>59,658,444</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 3,430,268	421,718	188,365	236,974	(2,583,211)	-	(2,583,211)
Public safety	6,470,124	1,160,686	345,673	-	(4,963,765)	-	(4,963,765)
Education	42,162,673	554,811	8,340,954	347,178	(32,919,730)	-	(32,919,730)
Public works	4,516,087	558,281	235,398	479,601	(3,242,807)	-	(3,242,807)
Human services	919,904	72,850	244,016	-	(603,038)	-	(603,038)
Recreation and culture	1,903,650	607,765	38,433	-	(1,257,452)	-	(1,257,452)
Interest on debt service	529,319	-	1,266	-	(528,053)	-	(528,053)
Total governmental activities	59,932,025	3,376,111	9,394,105	1,063,753	(46,098,056)	-	(46,098,056)
Business-type activities:							
Water	1,900,654	2,586,960	-	-	-	686,306	686,306
Sewer	1,316,655	1,834,290	-	1,239	-	518,874	518,874
Total business-type activities	3,217,309	4,421,250	-	1,239	-	1,205,180	1,205,180
Total government	\$ 63,149,334	7,797,361	9,394,105	1,064,992	(46,098,056)	1,205,180	(44,892,876)
General revenues:							
Property taxes					\$ 42,101,495	-	42,101,495
Excise taxes					2,564,583	-	2,564,583
Payments in lieu of taxes					111,146	-	111,146
Intergovernmental					1,129,214	-	1,129,214
Unrestricted investment earnings					85,158	1,638	86,796
Miscellaneous					145,163	-	145,163
Transfers					-	-	-
Total general revenues and transfers					46,136,759	1,638	46,138,397
Changes in net position					38,703	1,206,818	1,245,521
Net position - beginning of year					42,516,747	15,896,176	58,412,923
Net position - end of year					\$ 42,555,450	17,102,994	59,658,444

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 9,711,257	7,862,158	17,573,415
Investments	3,483,439	3,461,421	6,944,860
Receivables:			
Property taxes	396,837	2,628	399,465
Tax liens and foreclosures	1,086,233	5,242	1,091,475
Motor vehicle excise	236,942	-	236,942
Departmental	8,300	415,776	424,076
Less: allowance for abatements	(163,518)	-	(163,518)
Less: allowance for uncollectibles	(100,081)	(88,000)	(188,081)
Due From Commonwealth	1,458,930	826,243	2,285,173
Inventory	-	24,704	24,704
Total assets	<u>16,118,339</u>	<u>12,510,172</u>	<u>28,628,511</u>
<u>Deferred Outflows of Resources</u>			
Property taxes billed in advance	20,543,714	233,604	20,777,318
Total assets and deferred outflows of resources	<u>\$ 36,662,053</u>	<u>12,743,776</u>	<u>49,405,829</u>
<u>Liabilities</u>			
Warrants and accounts payable	\$ 537,946	964,156	1,502,102
Accrued payroll and withholdings	2,739,577	91,286	2,830,863
Other liabilities	41,370	-	41,370
Total liabilities	<u>3,318,893</u>	<u>1,055,442</u>	<u>4,374,335</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenue	23,263,716	589,166	23,852,882
<u>Fund balances</u>			
Nonspendable	-	611,027	611,027
Restricted	-	9,684,866	9,684,866
Committed	650,000	50,000	700,000
Assigned	603,853	753,275	1,357,128
Unassigned	8,825,591	-	8,825,591
Total fund balances	<u>10,079,444</u>	<u>11,099,168</u>	<u>21,178,612</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,662,053</u>	<u>12,743,776</u>	<u>49,405,829</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes	\$ 41,250,252	468,138	41,718,390
Excise taxes	2,756,087	-	2,756,087
Payments in lieu of taxes	111,146	-	111,146
Departmental charges for services	217,673	2,487,450	2,705,123
Licenses and permits	489,800	-	489,800
Intergovernmental	9,013,033	2,321,992	11,335,025
Fines and forfeits	2,180	165,177	167,357
Investment income	47,135	38,023	85,158
Other	145,163	468,956	614,119
Total revenues	<u>54,032,469</u>	<u>5,949,736</u>	<u>59,982,205</u>
Expenditures:			
Current:			
General government	2,109,684	377,807	2,487,491
Public safety	3,897,956	1,130,483	5,028,439
Education	30,572,734	2,306,052	32,878,786
Public works	1,913,297	1,538,259	3,451,556
Human services	558,922	207,373	766,295
Recreation and culture	923,427	526,142	1,449,569
Intergovernmental	326,754	-	326,754
Employee benefits	9,379,452	-	9,379,452
Other	177,119	-	177,119
Debt service	2,308,298	57,660	2,365,958
Total expenditures	<u>52,167,643</u>	<u>6,143,776</u>	<u>58,311,419</u>
Excess (deficiency) of revenues over expenditures	<u>1,864,826</u>	<u>(194,040)</u>	<u>1,670,786</u>
Other financing sources (uses):			
Operating transfers in	1,400,733	2,637,226	4,037,959
Operating transfers out	<u>(2,441,906)</u>	<u>(1,596,053)</u>	<u>(4,037,959)</u>
Total other financing sources (uses)	<u>(1,041,173)</u>	<u>1,041,173</u>	<u>-</u>
Net changes in fund balances	823,653	847,133	1,670,786
Fund balance, beginning of year	<u>9,255,791</u>	<u>10,252,035</u>	<u>19,507,826</u>
Fund balance, end of year	<u>\$ 10,079,444</u>	<u>11,099,168</u>	<u>21,178,612</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet
To the Statement of Net Position
June 30, 2014

Total fund balances - governmental funds \$ 21,178,612

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land and land improvements	8,133,175
Infrastructure assets	30,902,882
Buildings and building improvements	32,597,691
Construction in progress	7,620,105
Other capital assets	15,463,209
Accumulated depreciation	<u>(47,180,124)</u>

Total Capital Assets 47,536,938

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or are not recorded in the funds. 3,075,564

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. These liabilities consist of:

Bonds payable	(14,194,012)
Other post employment benefits	(14,639,430)
Accrued interest on bonds, net of reimbursement	(133,407)
Compensated absences	<u>(268,815)</u>

Total long-term liabilities (29,235,664)

Net position of governmental activities \$ 42,555,450

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balances To the Statement of Activities
For the Year Ended June 30, 2014

Net changes in fund balances - governmental funds	\$ 1,670,786
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these amounts are recorded as capital assets and depreciated over their estimated useful lives. This is the amount by which depreciation is more than net capital outlays for the year.	(770,628)
Bond proceeds provide financial resources and bond payments are recorded as expenditures in governmental funds, while these are recorded as increases or decreases to long-term liabilities in the statement of net position. This is the amount by which long-term debt repayments were more than bond proceeds and other debt activity for the year.	1,836,639
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, while revenues previously accrued in the statement of activities may be recorded as revenue in the funds.	(11,477)
Some expenses in the Statement of Activities do not require the use of current financial resources are not reported in the funds.	
Compensated absences	10,424
Change in net OPEB obligation	<u>(2,697,041)</u>
Changes in net position of governmental activities	\$ <u>38,703</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTSBudgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 40,903,172	40,903,172	41,265,841	362,669
Excise taxes	2,117,000	2,117,000	2,756,087	639,087
Payments in lieu of taxes	102,000	102,000	111,146	9,146
Departmental charges for services	152,000	152,000	217,673	65,673
Licenses and permits	385,000	385,000	489,800	104,800
Intergovernmental	5,205,486	5,205,486	5,517,153	311,667
Fines and forfeits	2,000	2,000	2,180	180
Investment income	18,000	18,000	7,163	(10,837)
Other	110,000	110,000	145,163	35,163
Total revenues	<u>48,994,658</u>	<u>48,994,658</u>	<u>50,512,206</u>	<u>1,517,548</u>
Expenditures:				
General government	2,817,773	2,539,736	2,067,888	471,848
Public safety	3,845,586	3,926,355	3,891,494	34,861
Education	30,515,423	30,515,423	30,457,679	57,744
Public works	1,613,773	1,900,922	1,881,042	19,880
Human services	610,039	622,811	546,422	76,389
Recreation and culture	917,206	932,673	925,016	7,657
Debt service	2,347,707	2,347,707	2,307,032	40,675
Intergovernmental	369,341	369,341	326,754	42,587
Employee benefits	6,503,061	6,384,941	5,884,605	500,336
Other	218,234	218,234	177,119	41,115
Total expenditures	<u>49,758,143</u>	<u>49,758,143</u>	<u>48,465,051</u>	<u>1,293,092</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(763,485)</u>	<u>(763,485)</u>	<u>2,047,155</u>	<u>2,810,640</u>
Other financing sources (uses):				
Operating transfers in	352,584	352,584	1,400,733	1,048,149
Operating transfers out	<u>(1,548,406)</u>	<u>(2,441,906)</u>	<u>(2,441,906)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,195,822)</u>	<u>(2,089,322)</u>	<u>(1,041,173)</u>	<u>1,048,149</u>
Net changes in fund balances	<u>(1,959,307)</u>	<u>(2,852,807)</u>	<u>1,005,982</u>	<u>3,858,789</u>
Fund balance, beginning of year			<u>4,612,539</u>	
Fund balance, end of year			<u>5,618,521</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2014

	<u>Water</u> <u>Enterprise Fund</u>	<u>Sewer</u> <u>Enterprise Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,588,138	2,551,436	4,139,574
Receivables (net):			
User charges	189,642	91,785	281,427
Liens	5,898	6,096	11,994
Special Assessments	-	3,847	3,847
Unbilled revenue	393,824	258,042	651,866
Due from Commonwealth	-	6,683	6,683
	<u>2,177,502</u>	<u>2,917,889</u>	<u>5,095,391</u>
Total current assets			
Noncurrent assets:			
Special Assessments	63,070	1,150,951	1,214,021
Due from Commonwealth	-	81,759	81,759
Capital assets	19,349,106	12,901,032	32,250,138
Accumulated depreciation	<u>(10,364,445)</u>	<u>(4,534,756)</u>	<u>(14,899,201)</u>
	<u>9,047,731</u>	<u>9,598,986</u>	<u>18,646,717</u>
Total noncurrent assets			
Total assets	\$ 11,225,233	12,516,875	23,742,108
<u>Liabilities</u>			
Current Liabilities:			
Warrants and accounts payable	\$ 11,284	2,851	14,135
Accrued payroll and withholdings	10,127	6,751	16,878
Accrued interest payable	19,119	43,061	62,180
Bonds payable	253,000	445,000	698,000
Compensated Absences	<u>14,699</u>	<u>9,799</u>	<u>24,498</u>
	<u>308,229</u>	<u>507,462</u>	<u>815,691</u>
Total current liabilities			
Noncurrent liabilities:			
Other post employment benefits	174,531	116,354	290,885
Bonds payable	<u>2,035,400</u>	<u>3,497,138</u>	<u>5,532,538</u>
	<u>2,209,931</u>	<u>3,613,492</u>	<u>5,823,423</u>
Total noncurrent liabilities			
Total liabilities	<u>2,518,160</u>	<u>4,120,954</u>	<u>6,639,114</u>
<u>Net Position</u>			
Net investment in capital assets	6,696,261	4,505,897	11,202,158
Restricted	354,706	280,573	635,279
Unrestricted	<u>1,656,106</u>	<u>3,609,451</u>	<u>5,265,557</u>
	<u>8,707,073</u>	<u>8,395,921</u>	<u>17,102,994</u>
Total net position			

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 2,502,021	1,531,158	\$ 4,033,179
Special Assessments	84,939	303,132	388,071
Total operating revenues	<u>2,586,960</u>	<u>1,834,290</u>	<u>4,421,250</u>
Operating expenditures:			
Salaries, wages and employee benefits	449,552	230,634	680,186
Energy purchases	1,024,847	383,267	1,408,114
Other operating expenses	52,517	314,842	367,359
Depreciation	277,775	209,337	487,112
Total operating expenditures	<u>1,804,691</u>	<u>1,138,080</u>	<u>2,942,771</u>
Operating income	<u>782,269</u>	<u>696,210</u>	<u>1,478,479</u>
Nonoperating revenues (expenses):			
Interest income	544	1,094	1,638
Interest expense	(95,963)	(178,575)	(274,538)
Other	-	1,239	1,239
Total nonoperating revenues (expenses)	<u>(95,419)</u>	<u>(176,242)</u>	<u>(271,661)</u>
Income before transfers	686,850	519,968	1,206,818
Operating transfers in (out)	<u>26,000</u>	<u>(26,000)</u>	<u>-</u>
Changes in net position	712,850	493,968	1,206,818
Net position, beginning of year	<u>7,994,223</u>	<u>7,901,953</u>	<u>15,896,176</u>
Net position, end of year	<u>\$ 8,707,073</u>	<u>8,395,921</u>	<u>\$ 17,102,994</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Water Enterprise Fund	Sewer Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 2,151,360	1,683,871	3,835,231
Cash paid to suppliers	(1,076,345)	(699,104)	(1,775,449)
Cash paid to employees	(419,364)	(210,530)	(629,894)
Transfers (to) from other funds	26,000	(26,000)	-
Net cash provided by operating activities	681,651	748,237	1,429,888
Cash flows from investing activities:			
Interest on deposits and investments	544	1,094	1,638
Cash flows from capital and related financing activities:			
Capital expenditures	(116,446)	(64,616)	(181,062)
Interest paid, net of subsidy	(98,153)	(163,091)	(261,244)
Net borrowing (repayments), net of subsidy	(278,770)	(448,007)	(726,777)
Net cash provided by capital and related financing activities:	(493,369)	(675,714)	(1,169,083)
Net increase in cash and cash equivalents	188,826	73,617	262,443
Cash and cash equivalents, beginning of year	1,399,312	2,477,819	3,877,131
Cash and cash equivalents, end of year	\$ 1,588,138	2,551,436	4,139,574
Reconciliation of operating income to net cash provided			
By operating activities:			
Operating income (loss)	\$ 782,269	696,210	1,478,479
Transfers (to) from other funds	26,000	(26,000)	-
Depreciation, bad debts & reserve	277,775	209,337	487,112
(Increase) decrease in accounts receivable	(435,600)	(150,419)	(586,019)
Increase (Decrease) in payables	1,097	(943)	154
Increase (Decrease) in OPEB & compensated absences	30,110	20,052	50,162
Net cash provided by operating activities	\$ 681,651	748,237	1,429,888

The notes to the financial statements are an integral part of this statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Statement of Net Position

Fiduciary Funds

June 30, 2014

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents - unrestricted	\$ 66,539
Cash and cash equivalents - restricted	376,032
Receivables:	
Departmental	<u>21,375</u>
 Total assets	 <u>463,946</u>
<u>Liabilities</u>	
Accounts payable	2,183
Accrued payroll	5,875
Other liabilities	<u>455,888</u>
 Total liabilities	 <u>463,946</u>
<u>Net Position</u>	
Unrestricted	<u>-</u>
 Total net position	 \$ <u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

The Town of Northborough was incorporated as a town in 1766 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected five member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, health, culture and recreation. Water and sewer service are provided on an enterprise basis. The Town's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the standard setting body for governmental accounting and financial reporting.

B. Financial Reporting Entity

GAAP require that the accompanying financial statements present the Town (primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. In determining the financial reporting entity, the Town considered all potential component units and found that none exist.

Joint Ventures:

The Town is a participant in Algonquin Regional High School. The School was created to provide education to students in grades nine through twelve, from the Towns of Northborough and Southborough and is governed by a ten member School Committee. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2014 was \$9,448,022, which represents approximately 58% of the District's operating budget. A copy of the District's financial statement is available from the Superintendent's Office, 53 Parkerville Road, Southborough, MA 01772.

The Town is a participant in the Assabet Valley Regional Vocational School District (the District). The School was created to provide vocational technical education to students in Northborough and other communities and is governed by a board composed of the School Committees of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2014 was \$647,983, which represents approximately 8% of the School's operating budget. A copy of the School's financial statement is available from the Superintendent's Office, 215 Fitchburg Street, Marlborough, MA 01752.

C. Financial Statement Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2014. The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the Town. For the most part, the effect of interfund activities has been removed from these statements.

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 1. Reporting Entity and Significant Accounting Policies (continued)

D. Government-wide and Fund Financial Statements (continued)

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.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. GAAP requires that major individual governmental funds and major individual enterprise funds be reported as separate columns in the fund financial statements. The Town's general fund, water fund and sewer fund are reported as major funds. The Town reports the following fund financial statements:

Governmental Funds

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

Other Governmental Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Water Fund - This fund is used to account for the Town's water operations.

Sewer Fund - This fund is used to account for the Town's sewer operations.

Fiduciary Funds

Agency Funds - These funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities).

E. Measurement Focus and Basis of Accounting

The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 1. Reporting Entity and Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

F. Assets, Liabilities, and Net Position or Equity

a. Deposits and Investments

State statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of United States Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State Treasurer.

In addition, certain other governmental funds have other investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

The Town pools cash to facilitate the management of cash. Each fund presents its pro rata share of the combined cash account as cash and cash equivalents in the accompanying basic financial statements. The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent and deposits with the MMDT. Investments are reported at fair value.

b. Property Taxes

The Town is responsible for assessing and collecting property taxes in accordance with enabling state laws. Property taxes are determined, each year, on the full and fair cash value of taxable properties as of January 1st. The tax levy is divided into two billings and is payable on a quarterly basis. The first billing is an estimate of the current year's levy based on the prior year's taxes. 50% is due on August 1st and 50% is due on November 1st. The second billing reflects adjustments to the current year's actual levy with 50% due on February 1st and 50% due on May 1st. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid.

Property taxes levied are recorded as receivable in the fiscal year billed. As of June 30, 2014, the Town has billed for the first two quarterly installments of the fiscal year 2015 real estate bills. The amount of this bill that is outstanding is presented as a deferred outflow on the statement of

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Position or Equity (continued)

b. Property Taxes (continued)

net position and on the governmental funds balance sheet. As these revenues are not available until the next fiscal year, the total amount billed is included in deferred inflows on both statements. A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2 1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2 %, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

c. Inventories

The costs of inventories are not material and the purchase method is used in all funds except for the solid waste special revenue fund. The solid waste fund records trash bags purchased but not sold as inventory at purchased cost.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the roadways and curbing assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost 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 are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of five years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	7 - 20
Vehicles and equipment	3 - 10
Infrastructure	30 - 100

e. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and certain sick leave absences. In the government-wide and proprietary fund financial statements, this liability is recognized when the associated benefit has been earned. For sick leave benefits, a liability is recognized when the sick leave benefit (primarily sick leave buy back benefits) is fully vested.

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Position or Equity (continued)

f. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are (if material) deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

g. Fund Balances - Governmental Funds

In the governmental fund financial statements, fund balance is divided into five categories - nonspendable, restricted, committed, assigned and unassigned. Presented below is a discussion of each GASB 54 fund balance classification.

Nonspendable - Amounts that cannot be spent because they are either not in spendable form or must be kept intact for legal or contractual reasons. This category is utilized mainly for permanent fund principal and also includes (if applicable) prepaid expenses, inventory and long term portion of loans receivable (unless the purpose is restricted, committed or assigned).

Restricted - Amounts constrained to specific purpose by external parties, enabling legislation and constitutional provision. Enabling legislation means the government is authorized to collect revenue and other parties (citizens, courts) can compel the government to spend the funds only on the authorized purpose.

Committed - Amounts constrained to specific purpose by the highest level of decision making authority (Town Meeting) and can be changed only by the same action.

Assigned - Amounts intended for use for a specific purpose by the Selectmen, Town Committee or Town management but do not meet the criteria to be classified as restricted or committed.

Unassigned - The residual classification of the Town's general fund only (and residual deficits in other governmental funds).

Committed fund balance is created from Town Meeting action and must be uncommitted by similar action. Committed fund balance in the general fund includes \$650,000 in amounts earmarked for the subsequent year's operating budget.

Assigned fund balance is created primarily from authorized actions of the Board of Selectmen or Town management. Assigned fund balance includes general fund encumbrances and article carry forwards of \$603,853.

Stabilization funds are obtained by Town Meeting authorization and are almost exclusively generated from transfers from the general fund budget. These funds are set aside for extraordinary or unforeseen purposes, must be approved by Town Meeting and can be utilized for any lawful purpose. General fund unassigned fund balance includes \$3,686,792 from the Town's general stabilization fund.

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Position or Equity (continued)

g. Fund Balances - Governmental Funds (continued)

The Town's policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year via adjusting journal entries.

It is possible for non-general funds to have negative unassigned fund balances when non-spendable amounts plus restricted, committed and assigned fund balances exceed the total positive fund balance in a specific fund.

The Town's fund balance policy sets a reserve goal at 10% of general fund operating expenditures. Reserves are defined as general fund unassigned fund balance plus general fund committed (stabilization) fund balance.

h. Net Position

Net position appears in the Town's proprietary (enterprise) funds and the entity wide financial statements. Net position is the difference between: 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation and outstanding debt (net of related debt subsidies from the state). Restricted net position consists of net position with constraints placed on the use either by grantors, creditors, contributors or laws and regulations of other governments or by constitutional provisions or enabling legislation.

I. Use of Estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Budgetary Information

Under the Town's by-laws, budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until April, when the Town meeting is held, to make their recommendations regarding department requests. After approval of the budget at the annual Town meeting, the tax recapitulation sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval. This process should generally be completed by November so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1.

The Town must establish its tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 2. Budgetary Information (continued)

(a) the aggregate of all annual appropriations for expenditures, state and county assessments, and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues and transfers projected to be received by the Town, including available funds.

The final Town budget as presented in the Budgetary Comparison Schedule - General Fund was developed as follows:

Expenditures and transfers out	<u>\$52,200,049</u>
To be funded as follows:	
Budgeted revenue	\$48,994,658
Transfers from other funds	352,584
Allocation of surplus	<u>2,852,807</u>
Total funding	<u>\$52,200,049</u>

The Town's General Fund budget is prepared on a basis other than GAAP. The "actual" results column of the Budgetary Comparison Schedule - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are:

- a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
- b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP); and
- c. On behalf payments for state teacher's retirement system and subsidized debt and stabilization fund activity is recognized for GAAP only.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2014:

Net changes in fund balances - Budgetary Basis	\$1,005,982
Adjustments:	
Record Revenues on a Modified Accrual Basis	(\$15,588)
On Behalf Payments, Net (Gross of \$3,495,879)	-
Stabilization Fund Investment Income (Loss)	\$39,972
Adjustment for Encumbrances and Continuing Articles	<u>(\$206,713)</u>
Net changes in fund balances - GAAP Basis	<u>\$823,653</u>

Within the adopted budget a sum is allocated to provide funding for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from this reserve fund. Any other modifications to the budget would require action by Town Meeting.

Town of Northborough, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 3. Deposits and Investments

Cash Deposits - Unrestricted

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities that are in the possession of the depository. The Town attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2014, the Town's carrying amount of deposits was \$20,629,725 and the bank balance was \$21,407,414. Of the bank balances, \$719,206 was covered by Federal Deposit Insurance Corporation (FDIC) or other state insurance and \$20,688,208 was collateralized by securities held by a third party bank. There were no uninsured or uncollateralized balances.

Cash Deposits - Restricted

The Town has certain restricted deposits that represent funds required from developers to guarantee completion of construction work. These restricted deposits appear only in the Town's agency fund. At June 30, 2014, the Town's carrying amount of restricted deposits was \$376,032 and the bank balance was \$376,032, with all amounts FDIC insured.

Investments

At June 30, 2014, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	\$3,205,527
Other fixed income securities	2,964,267
Mutual funds	775,066
Pooled Investments: Money market funds (cash equivalents)	405,419
External Investment Pool: MMDT (cash equivalents)	<u>743,884</u>
Total investments	<u>\$8,094,163</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. The US government and agency securities investments have the following maturities: \$3,205,527 between three and five years. The other fixed income securities have maturities of \$1,131,945 less than one year, \$1,206,034 between one and two years and \$626,288 between three and five years.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The US government and agency securities investments are rated Aaa by Moody's Investor Services and AA+ by Standard and Poor's and are not considered to have credit

Town of Northborough, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 3. Deposits and Investments (continued)

risk. The other fixed income securities investments are rated Aa to Aaa and BBB by Moody's Investor Services and AA to AAA by Standard and Poor's. MMDT, equities securities and money market funds are not rated as to credit risk. The Town does not have an investment policy which would limit its investment choices as to credit risk.

Concentration of credit risk – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$7,253,007	-	-	7,253,007
Construction in progress	<u>7,414,195</u>	<u>496,250</u>	<u>290,340</u>	<u>7,620,105</u>
Total capital assets not being depreciated	<u>14,667,202</u>	<u>496,250</u>	<u>290,340</u>	<u>14,873,112</u>
Capital assets being depreciated:				
Land improvements	880,168	-	-	880,168
Buildings and improvements	32,590,754	6,937	-	32,597,691
Equipment	14,333,553	1,254,312	124,656	15,463,209
Infrastructure	<u>30,423,281</u>	<u>479,601</u>	-	<u>30,902,882</u>
Total capital assets being depreciated	<u>78,227,756</u>	<u>1,740,850</u>	<u>124,656</u>	<u>79,843,950</u>
Less accumulated depreciation for:				
Land improvements	(576,320)	(31,105)	-	(607,425)
Buildings and improvements	(15,427,746)	(795,315)	-	(16,223,061)
Equipment	(10,814,393)	(729,788)	(124,656)	(11,419,525)
Infrastructure	<u>(17,768,933)</u>	<u>(1,161,180)</u>	-	<u>(18,930,113)</u>
Total accumulated depreciation	<u>(44,587,392)</u>	<u>(2,717,388)</u>	<u>(124,656)</u>	<u>(47,180,124)</u>
Capital assets being depreciated, net	<u>33,640,364</u>	<u>(976,538)</u>	-	<u>32,663,826</u>
Total governmental activities capital assets, net	<u>\$48,307,566</u>	<u>(480,288)</u>	<u>290,340</u>	<u>47,536,938</u>

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>
General government	\$105,723
Public safety	425,948
Education	564,008
Public works	1,385,637
Human services	2,044
Recreation and culture	<u>234,028</u>
Total governmental activities depreciation expense	<u>\$2,717,388</u>

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 4. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	\$2,771,038	-	-	2,771,038
Construction in progress	<u>840,138</u>	=	=	<u>840,138</u>
Total capital assets not being depreciated	<u>3,611,176</u>	=	=	<u>3,611,176</u>
Capital assets being depreciated:				
Buildings and improvements	4,703,635	-	-	4,703,635
Equipment	1,393,986	181,060	-	1,575,046
Infrastructure	<u>22,360,279</u>	<u>2</u>	=	<u>22,360,281</u>
Total capital assets being depreciated	<u>28,457,900</u>	<u>181,062</u>	=	<u>28,638,962</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,423,136)	(97,240)	-	(2,520,376)
Equipment	(1,213,751)	(55,927)	-	(1,268,678)
Infrastructure	<u>(10,775,202)</u>	<u>(334,945)</u>	=	<u>(11,110,147)</u>
Total accumulated depreciation	<u>(14,412,089)</u>	<u>(487,112)</u>	=	<u>(14,899,201)</u>
Capital assets being depreciated, net	<u>14,045,811</u>	<u>(306,050)</u>	=	<u>13,739,761</u>
Total governmental activities capital assets, net	<u>\$17,656,987</u>	<u>(306,050)</u>	=	<u>17,350,937</u>
Depreciation expense was charged to functions as follows:				
		<u>Business-type Activities</u>		
Water		\$277,775		
Sewer		<u>209,337</u>		
Total business-type activities depreciation expense		<u>\$487,112</u>		

Note 5. Short-term Debt

Subject to state laws, the Town is authorized to issue general obligation debt on a temporary basis.

The following classes of short-term loans can be issued:

Tax anticipation notes (TANs) - This debt is issued to provide funding for operations during lean periods in a fiscal cycle. They are repaid from subsequent collections of taxes or other revenues.

Bond anticipation notes (BANs) - This debt is issued to provide initial funding for capital projects. They are redeemed from the proceeds from the sale of the bonds.

Grant anticipation notes (GANs) - This debt is issued to provide funding for projects in anticipation of reimbursement from federal or state grants. They are repaid from subsequent distributions from the federal or state agency.

Short-term debt activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Bond anticipation notes:				
Town equipment and capital projects	<u>\$-</u>	=	=	=
	<u>\$-</u>	=	=	=
Business-type activities:				
Bond anticipation notes:				
Water projects	\$-	-	-	-
Sewer projects	=	=	=	=
	<u>\$-</u>	=	=	=

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 6. Long-term Obligations

The following is a summary of the changes in the Town's long-term obligation for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$279,239	-	10,424	268,815	168,875
Other post employment benefits	11,942,389	2,697,041	-	14,639,430	-
Bonds payable	<u>16,015,796</u>	-	<u>1,821,784</u>	<u>14,194,012</u>	<u>1,606,532</u>
	<u>\$28,237,424</u>	<u>2,697,041</u>	<u>1,832,208</u>	<u>29,102,257</u>	<u>1,775,407</u>
Business-type activities:					
Compensated absences	\$22,384	2,114	-	24,498	24,498
Other post employment benefits	242,837	48,048	-	290,885	-
Bonds payable	<u>6,957,316</u>	-	<u>726,778</u>	<u>6,230,538</u>	<u>698,000</u>
	<u>\$7,222,537</u>	<u>50,162</u>	<u>726,778</u>	<u>6,545,921</u>	<u>722,498</u>

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
School Construction	02/01/20	5.0%-6.25%	\$2,500,970	-	374,620	\$2,216,350
General Purpose	02/15/17	3.25%-5.0%	124,000	-	40,000	84,000
Land	02/15/22	3.5%-4.5%	495,000	-	55,000	440,000
General Purpose	02/15/14	3.5%-4.5%	60,000	-	60,000	-
General Purpose	05/01/28	2.0%-5.0%	4,543,000	-	382,000	4,161,000
General Purpose	04/01/29	2.0%-5.0%	6,670,000	-	540,000	6,130,000
General Purpose	04/15/23	2.0%-5.0%	1,283,630	-	283,630	1,000,000
CPA	04/15/18	2.0%-5.0%	233,000	-	53,000	180,000
Ambulance	04/15/16	2.0%-5.0%	79,000	-	29,000	50,000
Title V	08/01/18	0%	<u>27,196</u>	-	<u>4,534</u>	<u>22,662</u>
Totals			<u>\$16,015,796</u>	=	<u>1,821,784</u>	<u>\$14,194,012</u>

The outstanding business-type activities bonds are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
Sewer	02/01/17	5.27%	195,647	-	46,723	148,924
Sewer	02/01/20	5.0%-6.25%	289,230	-	44,980	244,250
Sewer	02/01/21	1.2%	166,767	-	17,741	149,026
Sewer	02/15/17	3.25%-5.0%	86,000	-	25,000	61,000
Sewer	02/15/22	3.5%-4.5%	285,000	-	35,000	250,000
Sewer	05/15/25	3.5%-4.25%	370,000	-	35,000	335,000
Sewer	10/15/21	3.5%-4.25%	450,000	-	50,000	400,000
Sewer	07/15/20	0%	84,502	-	10,563	73,938
Sewer	05/01/29	2.0%-5.0%	1,228,000	-	78,000	1,150,000
Sewer Land	10/15/24	4.0%-6.5%	1,235,000	-	105,000	1,130,000

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 7. Bonds Payable (continued)

Water	02/01/20	5.0%-6.25%	159,800	-	25,400	134,400
Water	02/15/17	3.25%-5.0%	180,000	-	45,000	135,000
Water	02/15/22	3.5%-4.5%	120,000	-	10,000	110,000
Water	05/15/25	3.5%-4.25%	400,000	-	40,000	360,000
Water	10/15/16	3.5%-4.5%	50,000	-	15,000	35,000
Water	05/01/29	2.0%-5.0%	974,000	-	65,000	909,000
Water	04/01/29	2.0%-5.0%	460,000	-	50,000	410,000
Water	04/15/23	2.0%-5.0%	<u>223,370</u>	=	<u>28,370</u>	<u>195,000</u>
Totals			<u>6,957,316</u>	=	<u>726,777</u>	<u>6,230,538</u>

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2015	\$1,606,532	519,825	698,000	263,459	2,304,532	783,284
2016	1,527,532	469,889	683,479	235,593	2,211,011	705,482
2017	1,407,532	419,728	680,003	207,437	2,087,535	627,165
2018	1,359,382	369,322	552,002	178,875	1,911,384	548,197
2019	1,253,534	308,386	547,851	155,512	1,801,515	463,898
2020 – 2024	3,990,500	971,852	2,108,203	455,070	6,098,703	1,426,922
2025 – 2029	<u>3,049,000</u>	<u>335,798</u>	<u>961,000</u>	<u>107,487</u>	<u>4,010,000</u>	<u>443,285</u>
Totals	<u>\$14,194,012</u>	<u>3,394,800</u>	<u>6,230,538</u>	<u>1,603,433</u>	<u>20,424,550</u>	<u>4,998,233</u>

Of the total governmental activities debt service requirements of \$17,588,812, the Town is scheduled to receive \$2,295,258 as reimbursement from the Commonwealth of Massachusetts School Building Assistance Program. The amount of this reimbursement that is related to debt principal (\$1,424,208) has been recorded as an intergovernmental receivable in the financial statements. Of the total business-type activities debt service requirements of \$7,833,971, the Town is scheduled to receive \$123,456 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal (\$81,759) has been recorded as an intergovernmental receivable in the financial statements.

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit require the approval of the Commonwealth's Oversight Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations. As of June 30, 2014, the Town may issue approximately \$87,244,591 of additional general obligation debt under the normal debt limit. The Town has \$14,757,138 of issued debt exempt from the debt limit. At June 30, 2014, the Town also has authorized and unissued debt of \$31,525,606 for water, sewer, Town equipment and other purposes.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Northborough-Southborough Regional School District, the Town's share of the school's \$11,120,000 debt at June 30, 2014 is 58.0% or \$6,449,600 and its share of debt (note payable) for the Assabet Valley Regional Vocational School debt is \$1,252,800 (amounts based on current assessment percentages).

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 8. Governmental Fund Balances

The detailed breakdown of fund balances for the Town's governmental funds appears below.

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Inventory	\$ -	24,704	24,704
Permanent fund principal	-	586,323	586,323
Restricted:			
DPW garage capital project	-	347,183	347,183
DPW salt shed	-	761,060	761,060
Town offices project	-	802,000	802,000
DPW fuel island	-	409,600	409,600
Other capital projects	-	1,573,970	1,573,970
Permanent fund spendable amounts	-	178,370	178,370
Community preservation act projects	-	2,440,935	2,440,935
School circuit breaker grant	-	743,363	743,363
Conservation	-	435,545	435,545
EMS/Ambulance services	-	384,934	384,934
Cable access	-	286,810	286,810
Other purposes - special revenue	-	1,321,096	1,321,096
Committed:			
Subsequent year's budget and articles	650,000	50,000	700,000
Assigned:			
Gifts and donations	-	577,480	577,480
Other purposes - special revenue	-	175,795	175,795
General government encumbrances	305,874	-	305,874
School encumbrances	208,808	-	208,808
Public works encumbrances	51,114	-	51,114
Other encumbrances	38,057	-	38,057
Unassigned:			
Stabilization fund	3,686,792	-	3,686,792
General fund residual balance	<u>5,138,799</u>	-	<u>5,138,799</u>
Total governmental fund balances	<u>\$10,079,444</u>	<u>11,099,168</u>	<u>\$21,178,612</u>

Note 9. Inter-fund Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. For the year ended June 30, 2014, the general fund received transfers of \$188,602 from police revolving, \$100,000 from recreation revolving, \$76,160 from ambulance revolving, \$916,653 from miscellaneous revolving, \$69,275 from other revolving, \$4,534 from Title V receipts reserved for appropriation, \$12,000 from cemetery lots and graves, \$19,829 from debt premium reserve, \$680 from old capital projects close outs and \$13,000 from cemetery perpetual care. These transfers were made to assist in funding certain items in the general fund budget and are done on an annual basis. The general fund transferred \$239,099 to the solid waste fund for an operating subsidy and \$2,202,807 to the capital projects fund to fund capital articles. In addition, the Cable TV fund transferred \$46,000 to the capital projects fund, the community preservation fund transferred \$150,000 to the conservation fund for future conservation purposes and the sewer fund transferred \$26,000 to the water fund for an equipment purchase.

Town of Northborough, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 10. Pension Plans

Town employees participate in two cost sharing, multiple employer defined benefit plans. The systems are funded by contributions from participants, employer contributions and/or state appropriations. These systems are the Worcester Regional Retirement System, which covers most non-teaching employees of the Town and the Massachusetts Teachers Retirement System, which covers most teaching employees.

Worcester Regional Retirement System:

Eligibility and Vesting - Employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1040 hours are eligible to participate in the System. Employees are eligible immediately after the date of employment. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Retirement Benefits - Chapter 32 of the Massachusetts General Laws provides authority to establish and amend benefit provisions of the System.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town Contributions Required and Made - The Town is assessed annually for their share of system. The Town was assessed and paid \$1,173,542 in 2012 \$1,263,061 in 2013 and \$1,327,921 in 2014. These amounts represent approximately 3.5% of system wide employer assessments.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system. Summary plan information is presented as required supplementary information (RSI) following these notes to the financial statements.

Massachusetts Teachers Retirement System

Eligibility and Vesting - Teaching employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1000 hours are required to participate in the System. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Town of Northborough, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 10. Pension Plans (continued)

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; and 8% if first employed on or after January 1, 1984. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town Contributions Required and Made - The Town is not required to contribute to this plan. State appropriations are made annually to fund system costs. For the fiscal year ended June 30, 2014, the state's contribution to this plan on behalf of the Town was \$3,494,613. This on-behalf payment has been recorded as intergovernmental revenue and employee benefit expenditure in the general fund.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Note 11. Other Post-Employment Benefits (OPEB)

The Town implemented GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for the 2009 financial statements. As allowed by GASB 45, the Town established the net OPEB obligation at zero for the beginning of fiscal year 2009 and has applied the measurement and recognition requirements of GASB 45 on a prospective basis since that time.

Plan Description - The Town provides health and life insurance coverage for its retirees and their survivors as a single-employer defined benefit Other Post-Employment Benefits Plan (the Plan). The plan was established in accordance with Massachusetts General Law Chapter 32B, to employees who retire in accordance with various predetermined years of service and under various age requirements. Changes to plan design and contribution rates must be negotiated through the collective bargaining process.

As of July 1, 2012 (the most recent valuation date), the number of Plan participants is as follows:

Active employees	400
Retirees and beneficiaries	<u>171</u>
Total	<u>571</u>

Funding Policy - Contribution requirements are negotiated as part of the collective bargaining process. As of July 1, 2012, the most recent valuation date, members receiving these benefits contributed between 28% and 49% of the cost of the plans, depending on which plan they choose. The cost of administering the plan is paid for by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with GASB 45 parameters. The ARC represents

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 11. Other Post-Employment Benefits (OPEB) continued

a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the actual contribution to the plan and changes to the Town's net OPEB obligation are presented in the following table.

Normal cost	\$1,830,103
Amortization of unfunded actuarial accrued liability	<u>1,929,424</u>
Annual required contributions	3,759,527
Interest on net OPEB obligation	487,409
Amortization of actuarial gains and losses	177,089
Adjustment to annual required contribution	<u>(677,570)</u>
Annual OPEB cost	3,746,455
Employer contributions	<u>(1,001,366)</u>
Increase (decrease) in net OPEB obligation	2,745,089
Net OPEB obligation - beginning of year	<u>12,185,226</u>
Net OPEB obligation - end of year	<u>\$14,930,315</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$3,746,455	27%	\$14,930,315
6/30/2013	\$3,539,082	26%	\$12,185,226
6/30/2012	\$3,564,128	28%	\$9,568,120

Funding Status and Funding Progress - The funded status of the plan at July 1, 2012, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage Of Covered Payroll ((B-A)/C)
7/1/2012	\$0	\$32,638,652	\$32,638,652	0%	\$21,919,889	149%
7/1/2010	\$0	\$28,072,976	\$28,072,976	0%	\$20,423,612	138%

The actuarial valuation of an ongoing plan involves estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funding status of the plan and the annual required contribution of the employer are subject

Town of Northborough, Massachusetts
Notes to the Financial Statements
June 30, 2014

Note 14. Implementation of new GASB Statements

During fiscal year 2014, the Town implemented the following GASB pronouncements:

- GASB Statement #66 – *Technical Correction -2012 – An Amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. This statement did not have a significant impact on the Town’s financial statements.
- GASB Statement #67 – *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014. This statement did not have a significant impact on the Town’s financial statements.
- GASB Statement #70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014. This statement did not have a significant impact on the Town’s financial statements.

In future fiscal years, the Town will implement the following GASB pronouncements:

- GASB Statement #68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #69 – *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. This statement will have no impact on the Town’s financial statements.
- GASB Statement #71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which is required to be implemented in fiscal year 2015. The Town is currently evaluating the possible impact of this will have on its financial statements.

Town of Northborough, Massachusetts
 Required Supplementary Information
 Fiscal Year Ended June 30, 2014

Schedule of Funding Progress

Pension System – Worcester Regional Retirement System (All Members)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as % Of Covered Payroll</u> ((b-a)/c)
1/1/12	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$ 238,982,079	228.5%
1/1/10	413,976,785	863,002,067	449,025,282	48.0%	241,992,607	185.5%
1/1/07	389,758,785	692,768,325	303,009,540	56.3%	211,518,755	143.2%

Schedule of Employer Contributions

Pension System – Worcester Regional Retirement System

<u>Year Ended June 30,</u>	<u>Worcester Regional Retirement System</u>			<u>Town of Northborough</u>	
	<u>Annual Required Contributions</u>	<u>Actual Contributions</u> (a)	<u>Percentage Contributed</u>	<u>Actual Contributions</u> (b)	<u>Town's Percentage of System Wide Actual Contributions</u> (b/a)
2014	\$ 37,510,266	\$ 37,510,266	100%	\$ 1,327,921	3.5%
2013	35,056,320	35,056,320	100%	1,263,061	3.6%
2012	33,072,000	33,072,000	100%	1,173,542	3.5%

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2014

	<u>Special Revenue</u>				<u>Totals</u>
	<u>School</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<u>Assets</u>					
Cash and cash equivalents	\$ 792,283	3,054,621	3,991,131	24,123	7,862,158
Investments	-	2,720,851	-	740,570	3,461,421
Receivables:					
Property taxes	-	2,628	-	-	2,628
Tax liens and foreclosures	-	5,242	-	-	5,242
Departmental	-	415,776	-	-	415,776
Less: allowance for uncollectibles	-	(88,000)	-	-	(88,000)
Due From Commonwealth	209,432	616,811	-	-	826,243
Inventory	-	24,704	-	-	24,704
Total assets	1,001,715	6,752,633	3,991,131	764,693	12,510,172
<u>Deferred Outflows of Resources</u>					
Property taxes billed in advance	-	233,604	-	-	233,604
Total assets and deferred outflows of resources	\$ 1,001,715	6,986,237	3,991,131	764,693	12,743,776
<u>Liabilities</u>					
Warrants and accounts payable	\$ 239,963	626,875	97,318	-	964,156
Accrued payroll and withholdings	15,878	75,408	-	-	91,286
Other liabilities	-	-	-	-	-
Total liabilities	255,841	702,283	97,318	-	1,055,442
<u>Deferred Inflows of Resources</u>					
Unavailable revenue	5,421	583,745	-	-	589,166
<u>Fund balances</u>					
Nonspendable	-	24,704	-	586,323	611,027
Restricted	740,453	4,872,230	3,893,813	178,370	9,684,866
Committed	-	50,000	-	-	50,000
Assigned	-	753,275	-	-	753,275
Unassigned	-	-	-	-	-
Total fund balances	740,453	5,700,209	3,893,813	764,693	11,099,168
Total liabilities, deferred inflows of resources and fund balances	\$ 1,001,715	6,986,237	3,991,131	764,693	12,743,776

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	<u>Special Revenue</u>				
	<u>School</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:					
Property taxes	\$ -	468,138	-	-	468,138
Departmental charges for services	277,625	2,195,300	-	14,525	2,487,450
Licenses and permits	-	-	-	-	-
Intergovernmental	1,043,919	1,077,428	200,645	-	2,321,992
Fines and forfeits	-	165,177	-	-	165,177
Investment income	1	28,422	-	9,600	38,023
Other	-	450,450	-	18,506	468,956
Total revenues	<u>1,321,545</u>	<u>4,384,915</u>	<u>200,645</u>	<u>42,631</u>	<u>5,949,736</u>
Expenditures:					
Current:					
General government	-	356,332	-	21,475	377,807
Public safety	-	723,473	407,010	-	1,130,483
Education	1,439,707	366,542	499,803	-	2,306,052
Public works	-	1,239,452	298,804	3	1,538,259
Human services	-	207,373	-	-	207,373
Recreation and culture	-	526,142	-	-	526,142
Employee benefits	-	-	-	-	-
Debt service	-	57,660	-	-	57,660
Total expenditures	<u>1,439,707</u>	<u>3,476,974</u>	<u>1,205,617</u>	<u>21,478</u>	<u>6,143,776</u>
Excess (deficiency) of revenues over expenditures	(118,162)	907,941	(1,004,972)	21,153	(194,040)
Other financing sources (uses):					
Operating transfers in	-	389,099	2,248,127	-	2,637,226
Operating transfers out	-	(1,583,053)	-	(13,000)	(1,596,053)
Net changes in fund balances	(118,162)	(286,013)	1,243,155	8,153	847,133
Fund balance, beginning of year	<u>858,615</u>	<u>5,986,222</u>	<u>2,650,658</u>	<u>756,540</u>	<u>10,252,035</u>
Fund balance, end of year	<u>\$ 740,453</u>	<u>5,700,209</u>	<u>3,893,813</u>	<u>764,693</u>	<u>11,099,168</u>