

**BF**

**Bill Fraher, CPA**

---

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Basic Financial Statements, Required Supplementary  
Information, and Supplementary Information

Year ended June 30, 2008

(With Independent Auditor's Report Thereon)

# TOWN OF NORTHBOROUGH, MASSACHUSETTS

## Table of Contents

|  | Page   |
|--|--------|
| Independent Auditor's Report   | 1 - 2  |
| Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting  | 3 - 4  |
| Management's Discussion and Analysis (required supplementary information)  | 5 - 11 |
| Basic Financial Statements   |        |
| Government-wide Financial Statements:  |        |
| • Statement of Net Assets  | 12     |
| • Statement of Activities  | 13     |
| Fund Financial Statements:   |        |
| • Balance Sheet - Government Funds   | 14     |
| • Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  | 15     |
| • Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets   | 16     |
| • Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. | 17     |
| • Budgetary Comparison Schedule - General Fund   | 18     |
| • Statement of Net Assets - Proprietary Funds  | 19     |
| • Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds  | 20     |
| • Statement of Cash Flows - Proprietary Funds  | 21     |
| • Statement of Net Assets - Fiduciary Funds  | 22     |
| Notes to the Financial Statements  | 23-39  |
| Combining Financial Statements:  |        |
| • Combining Balance Sheet - Nonmajor Governmental Funds  | 40     |
| • Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds                                   | 41     |



Bill Fraher, CPA  
Nine Taylor Street  
Boston, MA 02118  
Tel: 617-338-0994  
Fax: 617-357-7377  
bfcpa1@aol.com

## Independent Auditor's Report

The Board of Selectman  
Town Of Northborough, Massachusetts:

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, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Northborough's management. 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 insurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2008, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2009 on my consideration of the Town of Northborough's internal control structure over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



The Board of Selectmen  
Town of Northborough, Massachusetts  
Independent Auditor's Report

The Management's Discussion and Analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Northborough's basic financial statements. 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Bill Fraher', written in a cursive style.

Bill Fraher, CPA  
January 10, 2009



Bill Fraher, CPA  
Nine Taylor Street  
Boston, MA 02118  
Tel: 617-338-0994  
Fax: 617-357-7377  
bfcpa1@aol.com

**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 Board of Selectmen  
Town of Northborough, Massachusetts

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued my report thereon dated January 10, 2009. I conducted my audit in accordance with generally accepted auditing standards 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.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures 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, Massachusetts' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Northborough, Massachusetts' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Town of Northborough, Massachusetts' ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Town of Northborough, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the Town of Northborough, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Town of



The Board of Selectmen  
Town of Northborough, Massachusetts  
Report on Compliance and on Internal Control Over Financial Reporting

Northborough, Massachusetts' financial statements will not be prevented or detected by the Town of Northborough, Massachusetts' internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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 the Town's 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 herein under Government Auditing Standards.

I noted certain matters related to internal control over financial reporting and compliance and other matters that I reported to the Town of Northborough, Massachusetts, in a separate letter dated January 10, 2009.

This report is intended solely for the information and use of the Board of Selectmen, management, others within the Town, and state authorities and is not intended to be and should not be used by anyone other than these specified parties.

Bill Fraher, CPA  
January 10, 2009

## TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2008

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 ended June 30, 2008. Please read it in conjunction with the additional information at the front of this report and the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of fiscal year 2008 by \$60,624,292 (net assets).
- "Free Cash" certified by the State as of July 1, 2008 was \$1,265,111. This amount is part of general fund unreserved fund balance and is available for appropriation in fiscal 2009. In the water fund there was a free cash deficit of \$10,856, which was raised on the 2009 tax recap. The sewer fund has a balance of \$327,815 in available free cash.
- At the end of fiscal 2008, unreserved fund balance for the general fund was \$1,564,352

### 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements-** The government-wide financial statements 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 assets presents information of all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during fiscal 2008. All changes in net assets 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).

# TOWN OF NORTHBOROUGH, MASSACHUSETTS

## Management's Discussion and Analysis

### Required Supplementary Information

June 30, 2008

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 it cover costs 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 12 - 13 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 funds, proprietary funds, and fiduciary funds.

**Governmental funds**- Similar to the government activities in the government-wide financial statements, most of the Town's basic services are presented here. However, unlike the 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. This information may be useful in evaluating a government's near-term financial requirements.

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 charges in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. 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 is provided in the form of combining statements.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2008

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 14 - 15. Reconciliations to the entity wide statements appear on pages 16 - 17 and budget to actual information appears on page 18.

**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.

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 19 - 21.

**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 assets and a statement of changes in fiduciary net assets. 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 can be found on page 22.

**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 23 - 39.

**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 page 40 and 41.

# TOWN OF NORTHBOROUGH, MASSACHUSETTS

## Management's Discussion and Analysis

### Required Supplementary Information

June 30, 2008

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Town's case, net assets (the amount by which assets exceeded liabilities) are \$60,624,292 at the close of the most recent fiscal year, as compared to \$58,411,145 at the end of the prior year. Of the amount at the end of the current year, \$20.3 million is considered unrestricted (unrestricted net assets). The unrestricted net assets of the Town's governmental activities are \$16.8 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the Town's business-type activities are \$3.5 million and may be used to meet ongoing obligations of the Town's water and sewer business-type activities.

The largest portion of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, furniture and equipment), less any related debt to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During fiscal year 2008, total net assets of the Town increased by \$2,213,147. The total net assets of governmental activities increased by \$1,661,364 while net assets of business-type activities increased by \$551,783 (see page 13). Overall, the combined net asset increase is 3.65%.

Governmental activities- The Town's total governmental activities revenue was \$51,079,275. The breakdown of revenue by source is detailed below.

#### Revenue by Source – Governmental Activities

|                                    |              |          |
|------------------------------------|--------------|----------|
| Charges for Services               | \$ 3,686,840 | 7.2%     |
| Operating Grants and Contributions | 7,133,879    | 14.0%    |
| Capital Grants and Contributions   | 2,164,209    | 4.2%     |
| Property Taxes                     | 33,082,027   | 64.8%    |
| Excise Taxes                       | 2,126,873    | 4.2%     |
| Payment in Lieu of Taxes           | 96,858       | 0.2%     |
| Intergovernmental                  | 1,932,340    | 3.8%     |
| Unrestricted Investment Earnings   | 551,885      | 1.0%     |
| Miscellaneous                      | 304,364      | 0.6%     |
| Total General Revenue              | \$51,079,275 | 100.00 % |

## TOWN OF NORTHBOROUGH, MASSACHUSETTS

### Management's Discussion and Analysis

#### Required Supplementary Information

June 30, 2008

Town's total governmental activities expenditures for fiscal year 2008 were \$49,417,911. Education expenditures were \$34,642,065, which is 70.1% of the total.

|                          |               |          |
|--------------------------|---------------|----------|
| General Government       | \$ 3,279,563  | 6.6 %    |
| Public Safety            | 4,993,735     | 10.1 %   |
| Education                | 34,642,065    | 70.1 %   |
| Public Works             | 3,764,116     | 7.6 %    |
| Human Services           | 564,438       | 1.1 %    |
| Recreation & Culture     | 1,799,775     | 3.7 %    |
| Interest on Debt Service | 374,219       | .8 %     |
| TOTAL                    | \$ 49,417,911 | 100.00 % |

**Business-type activities-** Total revenues from Water and Sewer were \$3,180,005. Water revenue was \$1,471,159 and sewer revenue was \$1,708,846. Water revenue was less than expenses by \$253,246 (primarily due to depreciation exceeding capital additions) while sewer revenue exceeded expenses by \$805,029.

**Revenue by Sources-** Business-type activities - 100% of Revenue was generated from charges for services (monthly user fees and special assessments).

## 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 financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal 2008, the Town's governmental funds reported combined ending fund balances of \$8,530,382. Approximately 18% of this total amount \$1,564,352 is available for spending at the Town's discretion (general fund unreserved fund balance) while \$8,691,600 is available for stabilization and other special revenue fund purposes. The negative fund balance of \$3,331,535 related to capital project funds is due to the timing of long term borrowing and represents only a temporary negative fund balance (funded by bond anticipation notes). The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and warrants of the period \$574,778; 2) for specific purposes \$557,937 (permanent funds); 3) to fund next year's general fund operational budget \$473,250.

# TOWN OF NORTHBOROUGH, MASSACHUSETTS

## Management's Discussion and Analysis

### Required Supplementary Information

June 30, 2008

The general fund is the chief operating fund of the Town. At the end of fiscal 2008 unreserved fund balance of the general fund was \$1,564,352, while total fund balance was \$2,612,380. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 3.5 percent of total general fund expenditures, while total fund balance equals approximately 5.8 percent 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 assets of the proprietary funds at the end of fiscal 2008 totaled \$12,429,802. Unrestricted net assets totaled \$3,535,452 consisting of \$836,671 in the water fund and \$2,698,781 in the sewer fund.

**Budgetary highlights-** In total, there was no difference between the total original budget and final budget for FY 08, although reallocation of the expense budgets were made by Finance Committee reserve fund transfers. The actual revenue and other sources (inflows) exceeded budget by \$670,312, mainly due to higher than anticipated receipts from property and excise taxes and licenses and permits. The charges (outflows) were less than budget by \$653,639 with many departments not expending the full amount of budgeted appropriations. At the time of Town Meeting, the total budgeted charges to appropriations were \$42,760,582 and the total resources (revenues and transfers in) were \$41,720,582. The difference of \$1,040,000 was anticipated to be funded from available fund balances in the general fund, although the budget variances discussed above recovered all of this amount.

## Capital Asset and Debt Administration

**Capital Assets-** The Town's investment in capital assets for governmental and business-type activities as of June 30, 2008, amounts to \$61,075,019 net of accumulated depreciation of \$44,105,630. The investment in capital assets includes land; buildings; improvements; machinery and equipment; park facilities; streets; sidewalks; and water and sewer systems. Governmental activity infrastructure includes improvements that were put in service after 1980.

|                          | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--------------------------|----------------------------|-----------------------------|----------------------|
| Land                     | \$ 6,844,803               | \$ 2,769,498                | \$9,614,301          |
| Buildings & improvements | 23,616,707                 | 3,955,724                   | 27,572,431           |
| Equipment & machinery    | 11,673,880                 | 1,216,628                   | 12,890,508           |
| Infrastructure           | 28,971,274                 | 22,135,335                  | 51,292,657           |
| Construction in progress | 3,338,904                  | 471,848                     | 3,810,752            |
| Accumulated depreciation | (32,280,563)               | (11,825,067)                | (44,105,630)         |
| <b>Total</b>             | <b>\$ 42,165,005</b>       | <b>\$ 18,910,014</b>        | <b>\$ 61,075,019</b> |

# TOWN OF NORTHBOROUGH, MASSACHUSETTS

## Management's Discussion and Analysis

### Required Supplementary Information

June 30, 2008

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 32 – 33.

Long-term obligations- At June 30, 2008 the Town had a total long term obligations outstanding of \$13,679,308, \$8,225,657 for governmental activities and \$5,453,651 for business-type activities. Of this total \$13,404,548 is related to the Town's long term debt. 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.

Moody's Investor Services Inc rates the Town's bonds Aa3.

Additional information on the Town's long-term debt can be found in Note 7 to the financial statements beginning on page 34.

### **Economic Factors**

According to the U.S. Census Bureau and Commonwealth of Massachusetts Division of Employment and Training, the Town compares favorably with both State and National levels with regard to income and unemployment.

- In 2000, the median family income for the Town was \$81,414. The state median family income was \$61,664 and the U.S. median family income was \$50,046.
- In 2000, The Town's per capita income was \$28,600. The State per capita income was \$25,952 and the U.S. per capita income was \$21,587.
- In 2001, the unemployment rate for the Town for 2001 was 3.7%. The State unemployment rate was 4.2%, and the U.S. unemployment rate was 4.8%.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

## Statement of Net Assets

June 30, 2008

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>           |
|---|------------------------------------|-------------------------------------|------------------------|
| <b><u>Assets</u></b>                              |                                    |                                     |                        |
| Cash and cash equivalents                         | \$ 14,147,490                      | 1,214,149                           | 15,361,639             |
| Investments                                       | 4,122,271                          | -                                   | 4,122,271              |
| Receivables (net of allowance for uncollectibles) | 1,611,250                          | 2,217,865                           | 3,829,115              |
| Due from commonwealth                             | 4,438,491                          | 181,351                             | 4,619,842              |
| Property taxes billed in advance                  | 16,590,505                         | -                                   | 16,590,505             |
| Other assets                                      | 277,848                            | -                                   | 277,848                |
| Capital assets:                                   |                                    |                                     |                        |
| Assets not being depreciated                      | 9,351,911                          | 3,241,346                           | 12,593,257             |
| Assets being depreciated, net                     | <u>32,813,094</u>                  | <u>15,668,668</u>                   | <u>48,481,762</u>      |
| <br>Total assets                                  | <br><u>\$ 83,352,860</u>           | <br><u>22,523,379</u>               | <br><u>105,876,239</u> |
| <b><u>Liabilities</u></b>                         |                                    |                                     |                        |
| Warrants and accounts payable                     | \$ 930,706                         | -                                   | 930,706                |
| Other accrued liabilities                         | 1,419,302                          | -                                   | 1,419,302              |
| Accrued interest payable                          | 132,128                            | 66,926                              | 199,054                |
| Unearned revenue                                  | 16,590,505                         | -                                   | 16,590,505             |
| Notes payable                                     | 7,860,072                          | 4,573,000                           | 12,433,072             |
| Long-term liabilities:                            |                                    |                                     |                        |
| Due within one year:                              |                                    |                                     |                        |
| Compensated absences                              | 192,593                            | 10,987                              | 203,580                |
| Bonds payable                                     | 986,800                            | 589,974                             | 1,576,774              |
| Due in more than one year:                        |                                    |                                     |                        |
| Compensated absences                              | 71,180                             | -                                   | 71,180                 |
| Bonds payable                                     | <u>6,975,084</u>                   | <u>4,852,690</u>                    | <u>11,827,774</u>      |
| <br>Total liabilities                             | <br><u>35,158,370</u>              | <br><u>10,093,577</u>               | <br><u>45,251,947</u>  |
| <b><u>Net Assets</u></b>                          |                                    |                                     |                        |
| Invested in capital assets, net of related debt   | 30,871,586                         | 8,894,350                           | 39,765,936             |
| Restricted for:                                   |                                    |                                     |                        |
| Specific purposes - expendable                    | 380,640                            | -                                   | 380,640                |
| Specific purposes - nonexpendable                 | 177,297                            | -                                   | 177,297                |
| Unrestricted                                      | <u>16,764,967</u>                  | <u>3,535,452</u>                    | <u>20,300,419</u>      |
| <br>Total net assets                              | <br><u>\$ 48,194,490</u>           | <br><u>12,429,802</u>               | <br><u>60,624,292</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, 2008

| Functions/Programs                          | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                     |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                         | Business-Type Activities | Totals              |
| <b>Governmental activities:</b>             |                      |                      |                                    |                                  |   |                          |                     |
| General government                          | \$ 3,279,563         | 660,868              | 89,406                             | -                                | (2,529,289)                                     | -                        | (2,529,289)         |
| Public safety                               | 4,993,735            | 1,160,279            | 147,882                            | -                                | (3,685,574)                                     | -                        | (3,685,574)         |
| Education                                   | 34,642,065           | 669,215              | 6,869,817                          | -                                | (27,103,033)                                    | -                        | (27,103,033)        |
| Public works                                | 3,764,116            | 681,476              | -                                  | 579,119                          | (2,503,521)                                     | -                        | (2,503,521)         |
| Human services                              | 564,438              | 43,319               | 22,774                             | -                                | (498,345)                                       | -                        | (498,345)           |
| Recreation and culture                      | 1,799,775            | 471,683              | 4,000                              | 1,325,372                        | 1,280   | -                        | 1,280               |
| Interest on debt service                    | 374,219              | -                    | -                                  | 259,718                          | (114,501)                                       | -                        | (114,501)           |
| <b>Total governmental activities</b>        | <b>49,417,911</b>    | <b>3,686,840</b>     | <b>7,133,879</b>                   | <b>2,164,209</b>                 | <b>(36,432,983)</b>                             | <b>-</b>                 | <b>(36,432,983)</b> |
| <b>Business-type activities:</b>            |                      |                      |                                    |                                  |   |                          |                     |
| Water                                       | 1,724,405            | 1,471,159            | -                                  | -                                | -   | (253,246)                | (253,246)           |
| Sewer                                       | 903,817              | 1,690,226            | -                                  | 18,620                           | -   | 805,029                  | 805,029             |
| <b>Total business-type activities</b>       | <b>2,628,222</b>     | <b>3,161,385</b>     | <b>-</b>                           | <b>18,620</b>                    | <b>-</b>  | <b>551,783</b>           | <b>551,783</b>      |
| <b>Total government</b>                     | <b>\$ 52,046,133</b> | <b>6,848,225</b>     | <b>7,133,879</b>                   | <b>2,182,829</b>                 | <b>(36,432,983)</b>                             | <b>551,783</b>           | <b>(35,881,200)</b> |
| <b>General revenues:</b>                    |                      |                      |                                    |                                  |   |                          |                     |
| Property taxes                              |                      |                      |                                    |                                  | \$ 33,082,027                                   | -                        | 33,082,027          |
| Excise taxes                                |                      |                      |                                    |                                  | 2,126,873                                       | -                        | 2,126,873           |
| Payments in lieu of taxes                   |                      |                      |                                    |                                  | 96,858  | -                        | 96,858              |
| Intergovernmental                           |                      |                      |                                    |                                  | 1,932,340                                       | -                        | 1,932,340           |
| Unrestricted investment earnings            |                      |                      |                                    |                                  | 551,885   | -                        | 551,885             |
| Miscellaneous                               |                      |                      |                                    |                                  | 304,364   | -                        | 304,364             |
| <b>Total general revenues and transfers</b> |                      |                      |                                    |                                  | <b>38,094,347</b>                               | <b>-</b>                 | <b>38,094,347</b>   |
| <b>Changes in net assets</b>                |                      |                      |                                    |                                  | <b>1,661,364</b>                                | <b>551,783</b>           | <b>2,213,147</b>    |
| <b>Net assets - beginning of year</b>       |                      |                      |                                    |                                  | <b>46,533,126</b>                               | <b>11,878,019</b>        | <b>58,411,145</b>   |
| <b>Net assets - end of year</b>             |                      |                      |                                    |                                  | <b>\$ 48,194,490</b>                            | <b>12,429,802</b>        | <b>60,624,292</b>   |

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

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Balance Sheet - Governmental Funds

June 30, 2008

|  | General<br>Fund      | Stabilization<br>Fund | Nonmajor<br>Governmental<br>Funds | Total             |
|--|----------------------|-----------------------|-----------------------------------|-------------------|
| <b>Assets</b>                              |                      |                       |                                   |                   |
| Cash and cash equivalents                  | \$ 4,679,488         | 771,984               | 8,696,018                         | 14,147,490        |
| Investments                                | -                    | 2,557,102             | 1,565,169                         | 4,122,271         |
| Receivables:                               |                      |                       |                                   |                   |
| Property taxes                             | 443,313              | -                     | 3,132                             | 446,445           |
| Tax liens and foreclosures                 | 890,585              | -                     | 2,275                             | 892,860           |
| Motor vehicle excise                       | 206,425              | -                     | -                                 | 206,425           |
| Departmental                               | -                    | -                     | 228,466                           | 228,466           |
| Less: allowance for abatements             | (162,946)            | -                     | -                                 | (162,946)         |
| Due From Commonwealth                      | 4,078,881            | -                     | 359,610                           | 4,438,491         |
| Property taxes billed in advance           | 16,401,098           | -                     | 189,407                           | 16,590,505        |
| <b>Total assets</b>                        | <b>\$ 26,536,844</b> | <b>3,329,086</b>      | <b>11,044,077</b>                 | <b>40,910,007</b> |
| <b>Liabilities and Fund Balances</b>       |                      |                       |                                   |                   |
| <b>Liabilities:</b>                        |                      |                       |                                   |                   |
| Warrants and accounts payable              | \$ 758,897           | -                     | 171,809                           | 930,706           |
| Other accrued liabilities                  | 1,411,639            | -                     | -                                 | 1,411,639         |
| Notes payable                              | -                    | -                     | 7,860,072                         | 7,860,072         |
| Deferred revenue                           | 21,746,265           | -                     | 423,280                           | 22,169,545        |
| Other liabilities                          | 7,663                | -                     | -                                 | 7,663             |
| <b>Total liabilities</b>                   | <b>23,924,464</b>    | <b>-</b>              | <b>8,455,161</b>                  | <b>32,379,625</b> |
| <b>Fund balances:</b>                      |                      |                       |                                   |                   |
| <b>Reserved for:</b>                       |                      |                       |                                   |                   |
| Encumbrances & continued appropriations    | 574,778              | -                     | -                                 | 574,778           |
| Subsequent year expenditures               | 473,250              | -                     | -                                 | 473,250           |
| Other specific purposes                    | -                    | -                     | 557,937                           | 557,937           |
| <b>Unreserved, reported in:</b>            |                      |                       |                                   |                   |
| General fund                               | 1,564,352            | -                     | -                                 | 1,564,352         |
| Special revenue funds                      | -                    | 3,329,086             | 5,362,514                         | 8,691,600         |
| Capital projects funds                     | -                    | -                     | (3,331,535)                       | (3,331,535)       |
| <b>Total fund balances</b>                 | <b>2,612,380</b>     | <b>3,329,086</b>      | <b>2,588,916</b>                  | <b>8,530,382</b>  |
| <b>Total liabilities and fund balances</b> | <b>\$ 26,536,844</b> | <b>3,329,086</b>      | <b>11,044,077</b>                 | <b>40,910,007</b> |

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, 2008

|  | General<br>Fund     | Stabilization<br>Fund | Nonmajor<br>Governmental<br>Funds | Total             |
|--|---------------------|-----------------------|-----------------------------------|-------------------|
| Revenues:  |                     |                       |                                   |                   |
| Property taxes                                       | \$ 32,682,550       | -                     | 370,333                           | 33,052,883        |
| Excise taxes   | 2,132,645           | -                     | -                                 | 2,132,645         |
| Payments in lieu of taxes                            | 96,858              | -                     | -                                 | 96,858            |
| Departmental charges for services                    | 709,122             | -                     | 1,753,859                         | 2,462,981         |
| Licenses and permits                                 | 512,026             | -                     | -                                 | 512,026           |
| Intergovernmental                                    | 8,177,998           | -                     | 3,219,103                         | 11,397,101        |
| Fines and forfeits                                   | 1,840               | -                     | 176,992                           | 178,832           |
| Investment income                                    | 333,401             | 157,558               | 60,926                            | 551,885           |
| Other  | 121,360             | -                     | 889,162                           | 1,010,522         |
| Total revenues                                       | <u>44,767,800</u>   | <u>157,558</u>        | <u>6,470,375</u>                  | <u>51,395,733</u> |
| Expenditures:  |                     |                       |                                   |                   |
| Current:   |                     |                       |                                   |                   |
| General government                                   | 1,885,462           | -                     | 314,536                           | 2,199,998         |
| Public safety  | 3,349,379           | -                     | 582,723                           | 3,932,102         |
| Education  | 26,770,219          | -                     | 1,603,775                         | 28,373,994        |
| Public works   | 2,148,661           | -                     | -                                 | 2,148,661         |
| Human services                                       | 445,301             | -                     | 23,396                            | 468,697           |
| Recreation and culture                               | 872,916             | -                     | 441,186                           | 1,314,102         |
| Intergovernmental                                    | 333,596             | -                     | -                                 | 333,596           |
| Employee benefits                                    | 7,649,204           | -                     | -                                 | 7,649,204         |
| Other  | 202,481             | -                     | 31,573                            | 234,054           |
| Debt service   | 1,405,402           | -                     | 13,578                            | 1,418,980         |
| Capital outlay                                       | 83,965              | -                     | 4,035,036                         | 4,119,001         |
| Total expenditures                                   | <u>45,146,586</u>   | <u>-</u>              | <u>7,045,803</u>                  | <u>52,192,389</u> |
| Excess (deficiency) of<br>revenues over expenditures | (378,786)           | 157,558               | (575,428)                         | (796,656)         |
| Other financing sources (uses):                      |                     |                       |                                   |                   |
| Operating transfers in                               | 297,714             | 100,000               | -                                 | 397,714           |
| Operating transfers out                              | <u>(100,000)</u>    | <u>-</u>              | <u>(297,714)</u>                  | <u>(397,714)</u>  |
| Total other financing sources (uses)                 | <u>197,714</u>      | <u>100,000</u>        | <u>(297,714)</u>                  | <u>-</u>          |
| Net changes in fund balances                         | (181,072)           | 257,558               | (873,142)                         | (796,656)         |
| Fund balance, beginning of year                      | <u>2,793,452</u>    | <u>3,071,528</u>      | <u>3,462,058</u>                  | <u>9,327,038</u>  |
| Fund balance, end of year                            | <u>\$ 2,612,380</u> | <u>3,329,086</u>      | <u>2,588,916</u>                  | <u>8,530,382</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 Assets  
June 30, 2008

**Total fund balances - governmental funds** \$ 8,530,382

Amounts reported for governmental activities in the statement of net assets 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          | 6,844,803           |                   |
| Infrastructure assets               | 28,971,274          |                   |
| Buildings and building improvements | 23,616,707          |                   |
| Other capital assets                | 15,012,784          |                   |
| Accumulated depreciation            | <u>(32,280,563)</u> |                   |
| <b>Total Capital Assets</b>         |                     | <b>42,165,005</b> |

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or are not recorded in the funds. 5,579,040

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                      | (7,961,884)      |                           |
| Deferred refunding                 | 277,848          |                           |
| Accrued interest on bonds          | (132,128)        |                           |
| Compensated absences               | <u>(263,773)</u> |                           |
| <b>Total long-term liabilities</b> |                  | <b><u>(8,079,937)</u></b> |

**Net assets of governmental activities** \$ 48,194,490

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, 2008

|  |                                   |
|--|-----------------------------------|
| <b>Net changes in fund balances - governmental funds</b>   | <b>\$ (796,656)</b>               |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p>  |                                   |
| 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 less than capital outlays for the year.                                      | 1,752,270                         |
| 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 assets. This is the amount by which bond proceeds were less than long-term debt repayments for the year. | 1,044,761                         |
| 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.  | (316,458)                         |
| The cost of advanced refunding of debt is deferred and amortized over the life of the debt in the statement of activities.   | (25,259)                          |
| Some expenses in the Statement of Activities do not require the use of current financial resources are not reported in the funds.  | <u>2,706</u>                      |
| <b>Changes in net assets of governmental activities</b>  | <b>\$ <u><u>1,661,364</u></u></b> |

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

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended June 30, 2008

|  | Original<br>Budget | Final<br>Budget    | Actual<br>(Budgetary<br>Basis) | Variance To<br>Final Budget<br>Favorable<br>(Unfavorable) |
|--|--------------------|--------------------|--------------------------------|---|
| <b>Resources (inflows):</b>  |                    |                    |                                |   |
| Property taxes   | \$ 32,498,530      | 32,498,530         | 32,721,073                     | 222,543   |
| Excise taxes   | 1,904,200          | 1,904,200          | 2,132,645                      | 228,445   |
| Payments in lieu of taxes  | 91,000             | 91,000             | 96,858                         | 5,858   |
| Departmental charges for services  | 673,900            | 673,900            | 709,122                        | 35,222  |
| Licenses and permits   | 375,000            | 375,000            | 512,026                        | 137,026   |
| Intergovernmental  | 5,458,046          | 5,458,046          | 5,464,855                      | 6,809   |
| Fines  | -                  | -                  | 1,840                          | 1,840   |
| Investment income  | 339,868            | 339,868            | 333,401                        | (6,467)   |
| Other  | 82,324             | 82,324             | 121,360                        | 39,036  |
| Transfers from other funds   | 297,714            | 297,714            | 297,714                        | -   |
| <b>Total resources</b>   | <b>41,720,582</b>  | <b>41,720,582</b>  | <b>42,390,894</b>              | <b>670,312</b>  |
| <b>Charges to appropriations (outflows):</b>   |                    |                    |                                |   |
| General government   | 2,078,563          | 1,956,930          | 1,948,767                      | 8,163   |
| Public safety  | 3,407,889          | 3,431,022          | 3,399,840                      | 31,182  |
| Education  | 26,691,389         | 26,691,389         | 26,410,793                     | 280,596   |
| Public works   | 2,158,774          | 2,257,274          | 2,148,645                      | 108,629   |
| Human services   | 444,789            | 444,789            | 419,632                        | 25,157  |
| Recreation and culture   | 899,340            | 899,340            | 886,726                        | 12,614  |
| Debt service   | 1,561,156          | 1,561,156          | 1,405,402                      | 155,754   |
| Intergovernmental  | 339,595            | 339,595            | 333,596                        | 5,999   |
| Employee benefits  | 4,870,391          | 4,870,391          | 4,851,061                      | 19,330  |
| Insurance  | 208,696            | 208,696            | 202,481                        | 6,215   |
| Transfers to other funds   | 100,000            | 100,000            | 100,000                        | -   |
| <b>Total charges to appropriations</b>   | <b>42,760,582</b>  | <b>42,760,582</b>  | <b>42,106,943</b>              | <b>653,639</b>  |
| <b>Excess (deficiency) of resources<br/>over charges to appropriations</b>                             | <b>(1,040,000)</b> | <b>(1,040,000)</b> | <b>283,951</b>                 | <b>1,323,951</b>  |
| <b>Fund balance allocation</b>   | <b>1,040,000</b>   | <b>1,040,000</b>   |                                |   |
| <b>Excess (deficiency) of resources over charges to<br/>appropriations and fund balance allocation</b> | <b>\$ -</b>        | <b>-</b>           |                                |   |

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

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Statement of Net Assets - Proprietary Funds

June 30, 2008

|   | <u>Water</u><br><u>Enterprise Fund</u> | <u>Sewer</u><br><u>Enterprise Fund</u> | <u>Total</u>        |
|---|--|--|---------------------|
| <b><u>Assets</u></b>                            |  |  |                     |
| Current assets:                                 |  |  |                     |
| Cash and cash equivalents                       | \$ 569,216                             | 644,933                                | 1,214,149           |
| Receivables (net):                              |  |  |                     |
| User charges                                    | 232,331                                | 92,724                                 | 325,055             |
| Liens   | 9,946                                  | 6,554                                  | 16,500              |
| Special Assessments                             | 54,446                                 | 1,821,864                              | 1,876,310           |
| Due from Commonwealth                           | -                                      | 8,859                                  | 8,859               |
|   | <u>865,939</u>                         | <u>2,574,934</u>                       | <u>3,440,873</u>    |
| Total current assets                            |  |  |                     |
| Noncurrent assets:                              |  |  |                     |
| Due from Commonwealth                           | -                                      | 172,492                                | 172,492             |
| Capital assets                                  | 17,980,129                             | 12,754,952                             | 30,735,081          |
| Accumulated depreciation                        | <u>(8,534,678)</u>                     | <u>(3,290,389)</u>                     | <u>(11,825,067)</u> |
|   | <u>9,445,451</u>                       | <u>9,637,055</u>                       | <u>19,082,506</u>   |
| Total noncurrent assets                         |  |  |                     |
| Total assets                                    | <u>\$ 10,311,390</u>                   | <u>12,211,989</u>                      | <u>22,523,379</u>   |
| <b><u>Liabilities</u></b>                       |  |  |                     |
| Current Liabilities:                            |  |  |                     |
| Accrued interest payable                        | \$ 21,028                              | 45,898                                 | 66,926              |
| Notes payable                                   | 1,265,000                              | 3,308,000                              | 4,573,000           |
| Bonds payable                                   | 238,200                                | 351,774                                | 589,974             |
| Compensated Absences                            | <u>8,240</u>                           | <u>2,747</u>                           | <u>10,987</u>       |
|   | <u>1,532,468</u>                       | <u>3,708,419</u>                       | <u>5,240,887</u>    |
| Total current liabilities                       |  |  |                     |
| Noncurrent liabilities:                         |  |  |                     |
| Bonds payable                                   | <u>1,777,786</u>                       | <u>3,074,904</u>                       | <u>4,852,690</u>    |
|   | <u>1,777,786</u>                       | <u>3,074,904</u>                       | <u>4,852,690</u>    |
| Total noncurrent liabilities                    |  |  |                     |
| Total liabilities                               | <u>3,310,254</u>                       | <u>6,783,323</u>                       | <u>10,093,577</u>   |
| <b><u>Net Assets</u></b>                        |  |  |                     |
| Invested in capital assets, net of related debt | 6,164,465                              | 2,729,885                              | 8,894,350           |
| Unrestricted                                    | <u>836,671</u>                         | <u>2,698,781</u>                       | <u>3,535,452</u>    |
|   | <u>7,001,136</u>                       | <u>5,428,666</u>                       | <u>12,429,802</u>   |
| Total net assets                                |  |  |                     |

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 Assets

## Proprietary Funds

For the Year Ended June 30, 2008

|  | Water<br>Enterprise<br>Fund | Sewer<br>Enterprise<br>Fund | Total                       |
|--|-----------------------------|-----------------------------|-----------------------------|
| Operating revenues:                    |                             |                             |                             |
| Charges for services                   | \$ 1,404,980                | \$ 643,224                  | \$ 2,048,204                |
| Special Assessments                    | <u>66,179</u>               | <u>1,047,002</u>            | <u>1,113,181</u>            |
| Total operating revenues               | <u>1,471,159</u>            | <u>1,690,226</u>            | <u>3,161,385</u>            |
| Operating expenditures:                |                             |                             |                             |
| Salaries, wages and employee benefits  | 273,079                     | 90,903                      | 363,982                     |
| Energy purchases                       | 793,880                     | 190,000                     | 983,880                     |
| Other operating expenses               | 219,773                     | 160,139                     | 379,912                     |
| Depreciation                           | <u>340,764</u>              | <u>206,630</u>              | <u>547,394</u>              |
| Total operating expenditures           | <u>1,627,496</u>            | <u>647,672</u>              | <u>2,275,168</u>            |
| Operating income                       | <u>(156,337)</u>            | <u>1,042,554</u>            | <u>886,217</u>              |
| Nonoperating revenues (expenses):      |                             |                             |                             |
| Interest expense                       | (96,909)                    | (256,145)                   | (353,054)                   |
| Other                                  | <u>-</u>                    | <u>18,620</u>               | <u>18,620</u>               |
| Total nonoperating revenues (expenses) | <u>(96,909)</u>             | <u>(237,525)</u>            | <u>(334,434)</u>            |
| Income before transfers                | (253,246)                   | 805,029                     | 551,783                     |
| Operating transfers in (out)           | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    |
| Changes in net assets                  | (253,246)                   | 805,029                     | 551,783                     |
| Net assets, beginning of year          | <u>7,254,382</u>            | <u>4,623,637</u>            | <u>11,878,019</u>           |
| Net assets, end of year                | \$ <u><u>7,001,136</u></u>  | \$ <u><u>5,428,666</u></u>  | \$ <u><u>12,429,802</u></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, 2008

|  | <u>Water<br/>Enterprise<br/>Fund</u> | <u>Sewer<br/>Enterprise<br/>Fund</u> | <u>Total</u>     |
|--|--------------------------------------|--------------------------------------|------------------|
| Cash flows from operating activities:                          |                                      |                                      |                  |
| Cash received from customers                                   | \$ 1,535,674                         | 1,110,911                            | 2,646,585        |
| Cash paid to suppliers   | (1,023,311)                          | (374,829)                            | (1,398,140)      |
| Cash paid to employees   | (275,993)                            | (90,903)                             | (366,896)        |
| Transfers (to) from other funds                                | -                                    | -                                    | -                |
|  | <u>236,370</u>                       | <u>645,179</u>                       | <u>881,549</u>   |
| Net cash provided by operating activities                      |                                      |                                      |                  |
| Cash flows from capital and related financing activities:      |                                      |                                      |                  |
| Capital expenditures   | (823,056)                            | (73,255)                             | (896,311)        |
| Interest paid, net of subsidy                                  | (99,435)                             | (247,606)                            | (347,041)        |
| Net borrowing (repayments), net of subsidy                     | 757,500                              | (246,788)                            | 510,712          |
|  | <u>(164,991)</u>                     | <u>(567,649)</u>                     | <u>(732,640)</u> |
| Net cash provided by capital and related financing activities: |                                      |                                      |                  |
| Net increase in cash and cash equivalents                      | 71,379                               | 77,530                               | 148,909          |
| Cash and cash equivalents, beginning of year                   | <u>497,837</u>                       | <u>567,403</u>                       | <u>1,065,240</u> |
| Cash and cash equivalents, end of year                         | <u>\$ 569,216</u>                    | <u>644,933</u>                       | <u>1,214,149</u> |
| Reconciliation of operating income to net cash provided        |                                      |                                      |                  |
| By operating activities:                                       |                                      |                                      |                  |
| Operating income (loss)  | \$ (156,337)                         | 1,042,554                            | 886,217          |
| Transfers (to) from other funds                                | -                                    | -                                    | -                |
| Depreciation, bad debts & reserve                              | 340,764                              | 206,630                              | 547,394          |
| (Increase) decrease in accounts receivable                     | 64,515                               | (579,315)                            | (514,800)        |
| Increase (Decrease) in accounts payable                        | (9,658)                              | (23,719)                             | (33,377)         |
| Increase (Decrease) in compensated absences                    | (2,914)                              | (971)                                | (3,885)          |
|  | <u>(23,680)</u>                      | <u>645,179</u>                       | <u>881,549</u>   |
| Net cash provided by operating activities                      | <u>\$ 236,370</u>                    | <u>645,179</u>                       | <u>881,549</u>   |

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

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Statement of Net Assets

Fiduciary Funds

June 30, 2008

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b><u>Assets</u></b>      |                         |
| Cash and cash equivalents | \$ 85,654               |
| Investments               | <u>169,714</u>          |
| <br>Total assets          | <br><u>255,368</u>      |
| <b><u>Liabilities</u></b> |                         |
| Accounts payable          | 1,744                   |
| Other liabilities         | <u>253,624</u>          |
| <br>Total liabilities     | <br><u>255,368</u>      |
| <b><u>Net Assets</u></b>  |                         |
| Unrestricted              | <u>-</u>                |
| <br>Total net assets      | <br>\$ <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, 2008

### Note 1. Reporting Entity and Significant Accounting Policies

#### *A. Introduction*

The Town of Northborough was incorporated as a town in 1776 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.

#### *B. Financial Reporting Entity*

Accounting principles generally accepted in the United States of America ("GAAP") require that the accompanying financial statements present the Town (the 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 the Northborough-Northborough Regional School District (the District). The District was created as a separate political subdivision of the Commonwealth of Massachusetts to provide education to students in grades nine through twelve, from the Towns of Northborough and Northborough. The District is governed by a ten member School Committee. The Town's assessment for fiscal year 2008 was \$9,224,986, which represents approximately 62% of the District's operating budget. A copy of the District's financial statement is available from the District Superintendent's Office.

The Town is also a participant in the Assabet Valley Regional Vocational School District (the District). The School was created as a separate political subdivision of the Commonwealth of Massachusetts to provide vocational technical education to students in Northborough and other surrounding communities. The School is governed by a board composed of the School Committees of member Towns. The Town's assessment for fiscal year 2008 was \$697,394, which represents approximately 8% of the School's operating budget. A copy of the School's financial statement is available from the District Superintendent's Office.

## Town of Northborough, Massachusetts

Notes to the Financial Statements  
June 30, 2008

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

#### *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, 2008. 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 (i.e., the net assets and the statement of activities) 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. 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.

**Town of Northborough, Massachusetts**

Notes to the Financial Statements

June 30, 2008

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

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

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. Revenues 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 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.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

## Town of Northborough, Massachusetts

Notes to the Financial Statements  
June 30, 2008

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

#### *F. Assets, Liabilities, and Net Assets 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, 2008, the Town has billed for the first two quarterly installments of the fiscal year 2009 real estate bills. The amount of this bill that is outstanding is included in the receivable on the statement of net assets and is shown as subsequent year's levy on the governmental funds balance sheet. As these revenues are not available until fiscal year 2009, the total

**Town of Northborough, Massachusetts**

Notes to the Financial Statements  
June 30, 2008

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

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

*b. Property Taxes (continued)*

amount billed is included in deferred revenue 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 methods are used in all funds.

*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 a initial, individual cost of more than \$10,000 and an estimated life in excess of three 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     |

## Town of Northborough, Massachusetts

### Notes to the Financial Statements

June 30, 2008

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

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

###### *e. Compensated Absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave absences. In the government-wide and proprietary fund financial statements, this liability is recognized when the associated benefit has been earned.

###### *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 issuance's are reported as other financing sources while discounts received on debt issuance's are reported as other financing uses. Issuance costs are reported as debt service expenditures.

###### *g. Fund Balances - Governmental Funds*

In the fund financial statements, the fund balance of the governmental funds is divided into reserved and unreserved portions. Reservations of fund balance are required if resources are not available for spending or spending is legally restricted. The Town allocates fund balance as follows:

Reserved for Subsequent Year's Expenditures - This portion of fund balance is the amount Town Meeting has approved to fund the subsequent year's (fiscal year 2009) appropriations. This amount of fund balance is no longer available for appropriation.

Reserved for Encumbrances and Continued Appropriations - This portion of fund balance represents the amount of unexpended appropriations carried forward to the next fiscal year for contracts that are still outstanding or for continuing special articles for projects that have not yet been completed.

Reserved for Other Specific Purposes - This portion of fund balance that is permanently restricted by trust agreements or state statute for Permanent Fund expenditures.

## Town of Northborough, Massachusetts

Notes to the Financial Statements  
June 30, 2008

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

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

##### *g. Fund Balances - Governmental Funds (continued)*

Unreserved Fund Balances (Undesignated) - In the general fund, this represents the amount available for appropriation. In the other governmental funds, this represents the excess or deficit of assets over liabilities and reserved fund balance.

##### *h. 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 (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.

**Town of Northborough, Massachusetts**

Notes to the Financial Statements  
June 30, 2008

Note 2. Budgetary Information (continued)

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

|   |                     |
|---|---------------------|
| Charges to appropriations and transfers out | <u>\$42,760,582</u> |
| To be funded as follows:                    |                     |
| Budgeted revenue                            | \$41,422,868        |
| Transfers from other funds                  | 297,714             |
| Allocation of surplus                       | <u>1,040,000</u>    |
| Total funding (resources)                   | <u>\$42,760,582</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 payment for state teacher's retirement system 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, 2008:

|  |                    |
|--|--------------------|
| Excess (deficiency) of resources over charges to appropriations:     | \$283,951          |
| Adjustments:   |                    |
| Record Revenues on a Modified Accrual Basis                          | (\$38,523)         |
| On Behalf Payments, Net (Gross of \$2,713,143)                       | -                  |
| Adjustment for Encumbrances and Continuing<br>Appropriation Articles | <u>(\$426,500)</u> |
| Net changes in fund balances - GAAP Basis                            | <u>(\$181,072)</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, 2008

Note 3. Deposits and Investments

Cash Deposits

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's attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2008, the Town's carrying amount of deposits was \$3,484,412 and the bank balance was \$4,924,984. Of the bank balances, \$522,064 was covered by Federal Deposit Insurance Corporation or other state insurance and \$2,288,132 was collateralized by securities held by the bank. The remaining amount of \$2,114,788 was not insured nor collateralized.

Investments

At June 30, 2008, the Town's investment balances were as follows:

| <u>Type of Investment</u>              | <u>Fair Value</u> |
|--|-------------------|
| US government and agency securities    | 3,659,977         |
| Other fixed income securities          | 588,337           |
| Equity Securities                      | 43,670            |
| Pooled Investments: Money market funds | 1,295,729         |
| Pooled Investments: MMDT               | <u>10,667,152</u> |
| Total investments                      | <u>16,254,865</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: \$2,997,734 between three and five years and \$662,243 beyond five years. The other fixed income securities have maturities of \$347,182 between three and five years and \$241,155 beyond five years.

## Town of Northborough, Massachusetts

### Notes to the Financial Statements

June 30, 2008

#### Note 3. Deposits and Investments (continued)

*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 AAA by Standard and Poor's and are not considered to have credit risk. The other fixed income securities investments are rated Aa to Aaa 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, 2008 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Reductions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|-------------------|---------------------------|
| Governmental activities:                          |                              |                    |                   |                           |
| Capital assets not being depreciated:             |                              |                    |                   |                           |
| Land and land improvements                        | \$6,013,007                  | -                  | -                 | 6,013,007                 |
| Construction in progress                          | <u>558,560</u>               | <u>2,780,344</u>   | =                 | <u>3,338,904</u>          |
| Total capital assets not being depreciated        | <u>6,571,567</u>             | <u>2,780,344</u>   | =                 | <u>9,351,911</u>          |
| Capital assets being depreciated:                 |                              |                    |                   |                           |
| Land improvements                                 | 823,357                      | 8,439              | -                 | 831,796                   |
| Buildings and improvements                        | 23,546,392                   | 70,315             | -                 | 23,616,707                |
| Equipment   | 10,903,486                   | 770,394            | -                 | 11,673,880                |
| Infrastructure                                    | <u>28,481,765</u>            | <u>489,509</u>     | =                 | <u>28,971,274</u>         |
| Total capital assets being depreciated            | <u>63,755,000</u>            | <u>1,338,657</u>   | =                 | <u>65,093,657</u>         |
| Less accumulated depreciation for:                |                              |                    |                   |                           |
| Land improvements                                 | (386,588)                    | (31,559)           | -                 | (418,147)                 |
| Buildings and improvements                        | (11,278,897)                 | (572,158)          | -                 | (11,851,055)              |
| Equipment   | (7,419,800)                  | (688,838)          | -                 | (8,108,638)               |
| Infrastructure                                    | <u>(10,828,547)</u>          | <u>(1,074,176)</u> | =                 | <u>(11,902,723)</u>       |
| Total accumulated depreciation                    | <u>(29,913,832)</u>          | <u>(2,366,731)</u> | =                 | <u>(32,280,563)</u>       |
| Capital assets being depreciated, net             | <u>33,841,168</u>            | <u>(1,028,074)</u> | =                 | <u>32,813,094</u>         |
| Total governmental activities capital assets, net | <u>\$40,412,735</u>          | <u>1,752,270</u>   | =                 | <u>42,165,005</u>         |

## Town of Northborough, Massachusetts

### Notes to the Financial Statements June 30, 2008

#### Note 4. Capital Assets (continued)

|   |                     |                                 |                   |                     |
|---|---------------------|---------------------------------|-------------------|---------------------|
| Depreciation expense was charged to functions as follows: |                     | <u>Governmental</u>             |                   |                     |
|   |                     | <u>Activities</u>               |                   |                     |
| General government  |                     | \$51,555                        |                   |                     |
| Public safety   |                     | 279,131                         |                   |                     |
| Education   |                     | 621,550                         |                   |                     |
| Public works  |                     | 1,187,864                       |                   |                     |
| Human services  |                     | 2,469                           |                   |                     |
| Recreation and culture                                    |                     | <u>224,162</u>                  |                   |                     |
| Total governmental activities depreciation expense        |                     | <u>\$2,366,731</u>              |                   |                     |
|   | <u>Beginning</u>    | <u>Additions</u>                | <u>Reductions</u> | <u>Ending</u>       |
|   | <u>Balance</u>      |                                 |                   | <u>Balance</u>      |
| Business-type activities:                                 |                     |                                 |                   |                     |
| Capital assets not being depreciated:                     |                     |                                 |                   |                     |
| Land and land improvements                                | \$2,769,498         | -                               | -                 | 2,769,498           |
| Construction in progress                                  | <u>261,585</u>      | <u>471,848</u>                  | <u>261,585</u>    | <u>471,848</u>      |
| Total capital assets not being depreciated                | <u>3,031,083</u>    | <u>471,848</u>                  | <u>261,585</u>    | <u>3,241,346</u>    |
| Capital assets being depreciated:                         |                     |                                 |                   |                     |
| Buildings and improvements                                | 3,455,724           | 500,000                         | -                 | 3,955,724           |
| Equipment   | 1,216,628           | -                               | -                 | 1,216,628           |
| Infrastructure  | <u>22,135,335</u>   | <u>186,048</u>                  | -                 | <u>22,321,383</u>   |
| Total capital assets being depreciated                    | <u>26,807,687</u>   | <u>686,048</u>                  | -                 | <u>27,493,735</u>   |
| Less accumulated depreciation for:                        |                     |                                 |                   |                     |
| Buildings and improvements                                | (1,877,691)         | (79,792)                        | -                 | (1,957,483)         |
| Equipment   | (734,471)           | (98,845)                        | -                 | (833,316)           |
| Infrastructure  | <u>(8,665,511)</u>  | <u>(368,757)</u>                | -                 | <u>(9,034,268)</u>  |
| Total accumulated depreciation                            | <u>(11,277,673)</u> | <u>(547,394)</u>                | -                 | <u>(11,825,067)</u> |
| Capital assets being depreciated, net                     | <u>15,530,014</u>   | <u>138,654</u>                  | -                 | <u>15,668,668</u>   |
| Total governmental activities capital assets, net         | <u>\$18,561,097</u> | <u>610,502</u>                  | <u>261,585</u>    | <u>18,910,014</u>   |
| Depreciation expense was charged to functions as follows: |                     | <u>Business-type Activities</u> |                   |                     |
| Water   |                     | \$340,764                       |                   |                     |
| Sewer   |                     | <u>206,630</u>                  |                   |                     |
| Total business-type activities depreciation expense       |                     | <u>\$547,394</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.

**Town of Northborough, Massachusetts**

Notes to the Financial Statements  
June 30, 2008

Note 5. Short-term Debt (continued)

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, 2008, was as follows:

|                                     | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> |
|-------------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Governmental activities:            |                              |                  |                   |                           |
| Bond anticipation notes:            |                              |                  |                   |                           |
| Town equipment and capital projects | <u>1,674,312</u>             | <u>7,860,072</u> | <u>1,674,312</u>  | <u>7,860,072</u>          |
|                                     | <u>1,674,312</u>             | <u>7,860,072</u> | <u>1,674,312</u>  | <u>7,860,072</u>          |
| Business-type activities:           |                              |                  |                   |                           |
| Bond anticipation notes:            |                              |                  |                   |                           |
| Water projects                      | \$285,000                    | 1,265,000        | 285,000           | 1,265,000                 |
| Sewer projects                      | <u>3,163,000</u>             | <u>3,308,000</u> | <u>3,163,000</u>  | <u>3,308,000</u>          |
|                                     | <u>\$3,448,000</u>           | <u>4,573,000</u> | <u>3,448,000</u>  | <u>4,573,000</u>          |

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, 2008:

|                              | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Amount Due<br/>Within One Year</u> |
|------------------------------|------------------------------|------------------|-------------------|---------------------------|---------------------------------------|
| Governmental activities:     |                              |                  |                   |                           |                                       |
| Unamortized premium on bonds | \$30,261                     | -                | 30,261            | -                         | -                                     |
| Compensated absences         | 266,479                      | -                | 2,706             | 263,773                   | 192,593                               |
| Bonds payable                | <u>8,959,884</u>             | -                | <u>998,000</u>    | <u>7,961,884</u>          | <u>986,800</u>                        |
|                              | <u>9,256,624</u>             | =                | <u>1,030,967</u>  | <u>8,225,657</u>          | <u>1,179,393</u>                      |
| Business-type activities:    |                              |                  |                   |                           |                                       |
| Compensated absences         | 14,872                       | -                | 3,885             | 10,987                    | 10,987                                |
| Bonds payable                | <u>6,074,409</u>             | -                | <u>631,745</u>    | <u>5,442,664</u>          | <u>589,974</u>                        |
|                              | <u>\$6,089,281</u>           | =                | <u>635,630</u>    | <u>5,453,651</u>          | <u>600,961</u>                        |

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued between fiscal years 1989 and 2007 for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds were issued for a variety of capital purposes, the largest portion related to school construction. The outstanding business-type activities bonds were issued for various water and sewer purposes, the largest

**Town of Northborough, Massachusetts**

Notes to the Financial Statements  
June 30, 2008

Note 7. General Obligation Bonds Payable (continued)

portion related to the expansion of sewer lines. The bonds bear interest from 3.25% to 6.25% and are due in various annual installments ranging through 2025.

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2008 are as follows:

| <u>Fiscal Year</u> | <u>Governmental<br/>Activities<br/>Principal</u> | <u>Governmental<br/>Activities<br/>Interest</u> | <u>Business-type<br/>Activities<br/>Principal</u> | <u>Business-type<br/>Activities<br/>Interest</u> | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> |
|--------------------|--|---|---|--|----------------------------|---------------------------|
| 2009               | \$986,800  | 333,951   | 589,974   | 221,600  | 1,576,774                  | 555,551                   |
| 2010               | 919,700  | 288,224   | 513,698   | 199,647  | 1,433,398                  | 487,871                   |
| 2011               | 801,500  | 246,919   | 503,590   | 178,954  | 1,305,090                  | 425,873                   |
| 2012               | 796,614  | 212,742   | 500,312   | 159,377  | 1,296,926                  | 372,119                   |
| 2013               | 792,300  | 178,332   | 470,926   | 143,546  | 1,263,226                  | 321,878                   |
| 2014 - 2018        | 2,762,470  | 462,917   | 1,841,568   | 428,532  | 4,604,038                  | 891,449                   |
| 2019 - 2023        | 902,500  | 63,916  | 902,596   | 113,125  | 1,805,096                  | 177,041                   |
| 2024 - 2028        | -  | -   | <u>120,000</u>                                    | <u>7,650</u>                                     | <u>120,000</u>             | <u>7,650</u>              |
| Totals             | <u>\$7,961,884</u>                               | <u>1,787,001</u>                                | <u>5,442,664</u>                                  | <u>1,452,431</u>                                 | <u>13,404,548</u>          | <u>3,239,432</u>          |

Of the total governmental activities debt service requirements of \$9,748,885, the Town is scheduled to receive \$6,457,701 as reimbursement from the Commonwealth of Massachusetts School Building Assistance Program. The amount of this reimbursement that is related to debt principal (\$4,078,881) has been recorded as an intergovernmental receivable in the financial statements.

Of the total business-type activities debt service requirements of \$6,895,095, the Town is scheduled to receive \$365,109 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal (\$172,492) 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, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

## **Town of Northborough, Massachusetts**

### Notes to the Financial Statements June 30, 2008

#### Note 7. General Obligation Bonds Payable (continued)

As of June 30, 2008, the Town may issue approximately \$117,560,603 of additional general obligation debt under the normal debt limit. The Town has \$8,539,736 of issued debt exempt from the debt limit. At June 30, 2008, the Town also has authorized and unissued debt of \$10,041,300 for library construction, 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 Regional School's \$4,305,000 debt at June 30, 2008 (based on current assessment percentages) is 62.5% or \$2,690,625.

As authorized under Massachusetts General Laws, in 2005 the Town issued \$4,510,000 of general obligation bonds to advance and current refund \$4,060,000 of outstanding general obligation bonds during the fiscal year. As a result, the \$4,450,000 of general obligation bonds are considered to be defeased and the liability has been removed from the financial statements. The difference between the old and new debt of \$378,884 for governmental funds is being amortized as a deferred charge over the life of the new debt in the entity wide statements. The balance of this deferred charge is \$277,848 as of June 30, 2008.

#### Note 8. 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, 2008, the general fund transferred \$100,000 to the stabilization fund and received transfers of \$102,500 from police revolving, \$67,346 from recreation revolving, \$62,175 from ambulance revolving, \$6,000 from conservation revolving, \$15,000 from other revolving and \$44,693 from cemetery perpetual care. Additionally, the Community Preservation Fund transferred \$547,500 to the conservation fund. Most of these transfers were made to assist in funding certain items in the general fund budget or to set aside resources for special projects or future Town use.

#### Note 9. Capital Project Fund Balance Deficit

At June 30, 2008, the Town's capital project funds have a net deficit which totals \$3,331,535. The capital project deficit results solely from amounts expended in advance of bond proceeds, a common timing issue in the capital project financing process. The Town has incurred short-term financing (through the issuance of bond anticipation notes) to fund these projects until bonds are issued. The Town anticipates to issue long-term bonds for these projects in the next fiscal year, which will eliminate these deficits.

## Town of Northborough, Massachusetts

Notes to the Financial Statements  
June 30, 2008

### Note 10. Pension Plans

Town employees participate in two cost sharing, multiple employer defined benefit plans. The system is 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 - The amount of normal monthly retirement benefit is equal to a percentage of the participant's average monthly compensation, determined based on age at retirement, the maximum being 2.5% at age 65, and based on the higher of the participant's (1) highest three consecutive years of compensation or (2) last three calendar years of employment preceding retirement whether or not such years are consecutive, multiplied by years of service, up to a maximum of 80% of the average monthly compensation as computed above or \$30,000 in annual compensation for participants who first became employed after January 1, 1979. Any cost-of-living adjustments granted since 1981 and any increase in other benefits imposed by law after that year are borne by the Commonwealth of Massachusetts.

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

## Town of Northborough, Massachusetts

### Notes to the Financial Statements

June 30, 2008

#### Note 10. Pension Plans (continued)

Town Contributions Required and Made - The Town is assessed annually for their share of system. The Town was assessed and paid \$796,803 in 2006, \$767,457 in 2007 and \$810,575 in 2008. These amounts represent approximately 4% 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.

#### 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.

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, 2008, the state's contribution to this plan on behalf of the Town was \$2,713,143. 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.

## **Town of Northborough, Massachusetts**

Notes to the Financial Statements  
June 30, 2008

### Note 11. Post-Retirement Benefits

In addition to the pension benefits described in Note 5, the Town provides for certain health care benefits 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. These benefits are provided through the Town's managed care and indemnity plans, at either 51% of the indemnity plan rate or an amount up to 72% of the managed care plan rates. For the fiscal year ended June 30, 2008, the Town contributed \$752,583 towards post-retirement health care benefits for approximately 101 retirees.

### Note 12. Risk Management

Lawsuits may be pending or threatened against the Town, which arise from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town's attorney estimates that potential claims against the Town, not covered by insurance, resulting from such litigation, would not materially affect the general-purpose financial statements.

The Town receives some financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and may be subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Town.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2008

|  | <u>Special Revenue</u> |                  |                             |                  |                   |
|--|------------------------|------------------|-----------------------------|------------------|-------------------|
|  | <u>School</u>          | <u>Other</u>     | <u>Capital<br/>Projects</u> | <u>Permanent</u> | <u>Totals</u>     |
| <u>Assets</u>                              |                        |                  |                             |                  |                   |
| Cash and cash equivalents                  | \$ 472,068             | 3,513,269        | 4,545,725                   | 164,956          | 8,696,018         |
| Investments                                | -                      | 1,172,188        | -                           | 392,981          | 1,565,169         |
| Receivables:                               |                        |                  |                             |                  |                   |
| Property taxes                             | -                      | 3,132            | -                           | -                | 3,132             |
| Tax liens and foreclosures                 | -                      | 2,275            | -                           | -                | 2,275             |
| Departmental                               | -                      | 228,466          | -                           | -                | 228,466           |
| Due From Commonwealth                      | 216,021                | 143,589          | -                           | -                | 359,610           |
| Property taxes billed in advance           | -                      | 189,407          | -                           | -                | 189,407           |
| <b>Total assets</b>                        | <b>\$ 688,089</b>      | <b>5,252,326</b> | <b>4,545,725</b>            | <b>557,937</b>   | <b>11,044,077</b> |
| <u>Liabilities and Fund Balances</u>       |                        |                  |                             |                  |                   |
| <u>Liabilities:</u>                        |                        |                  |                             |                  |                   |
| Warrants and accounts payable              | \$ -                   | 154,621          | 17,188                      | -                | 171,809           |
| Notes payable                              | -                      | -                | 7,860,072                   | -                | 7,860,072         |
| Deferred revenue                           | -                      | 423,280          | -                           | -                | 423,280           |
| <b>Total liabilities</b>                   | <b>-</b>               | <b>577,901</b>   | <b>7,877,260</b>            | <b>-</b>         | <b>8,455,161</b>  |
| <u>Fund Balances:</u>                      |                        |                  |                             |                  |                   |
| Reserved For:                              |                        |                  |                             |                  |                   |
| Other specific purposes                    | -                      | -                | -                           | 557,937          | 557,937           |
| Unreserved                                 | 688,089                | 4,674,425        | (3,331,535)                 | -                | 2,030,979         |
| <b>Total fund balances</b>                 | <b>688,089</b>         | <b>4,674,425</b> | <b>(3,331,535)</b>          | <b>557,937</b>   | <b>2,588,916</b>  |
| <b>Total liabilities and fund balances</b> | <b>\$ 688,089</b>      | <b>5,252,326</b> | <b>4,545,725</b>            | <b>557,937</b>   | <b>11,044,077</b> |

**TOWN OF NORTHBOROUGH, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

|  | <u>Special Revenue</u> |                  |                             |                  |                  |
|--|------------------------|------------------|-----------------------------|------------------|------------------|
|  | <u>School</u>          | <u>Other</u>     | <u>Capital<br/>Projects</u> | <u>Permanent</u> | <u>Totals</u>    |
| Revenues:  |                        |                  |                             |                  |                  |
| Property taxes                                       | \$ -                   | 370,333          | -                           | -                | 370,333          |
| Departmental charges for services                    | 351,226                | 1,377,758        | -                           | 24,875           | 1,753,859        |
| Intergovernmental                                    | 942,164                | 2,276,939        | -                           | -                | 3,219,103        |
| Fines and forfeits                                   | -                      | 176,992          | -                           | -                | 176,992          |
| Investment income                                    | -                      | 90,508           | -                           | (29,582)         | 60,926           |
| Other  | -                      | 871,271          | -                           | 17,891           | 889,162          |
|  | <u>-</u>               | <u>871,271</u>   | <u>-</u>                    | <u>17,891</u>    | <u>889,162</u>   |
| Total revenues                                       | <u>1,293,390</u>       | <u>5,163,801</u> | <u>-</u>                    | <u>13,184</u>    | <u>6,470,375</u> |
| Expenditures:  |                        |                  |                             |                  |                  |
| Current:   |                        |                  |                             |                  |                  |
| General government                                   | -                      | 314,536          | -                           | -                | 314,536          |
| Public safety  | -                      | 582,723          | -                           | -                | 582,723          |
| Education  | 1,400,579              | 203,196          | -                           | -                | 1,603,775        |
| Human services                                       | -                      | 23,396           | -                           | -                | 23,396           |
| Recreation and culture                               | -                      | 441,186          | -                           | -                | 441,186          |
| Other  | -                      | -                | -                           | 31,573           | 31,573           |
| Debt service   | -                      | 13,578           | -                           | -                | 13,578           |
| Capital outlay                                       | -                      | 1,789,365        | 2,245,671                   | -                | 4,035,036        |
|  | <u>-</u>               | <u>1,789,365</u> | <u>2,245,671</u>            | <u>-</u>         | <u>4,035,036</u> |
| Total expenditures                                   | <u>1,400,579</u>       | <u>3,367,980</u> | <u>2,245,671</u>            | <u>31,573</u>    | <u>7,045,803</u> |
| Excess (deficiency) of<br>revenues over expenditures | (107,189)              | 1,795,821        | (2,245,671)                 | (18,389)         | (575,428)        |
| Other financing sources (uses):                      |                        |                  |                             |                  |                  |
| Proceeds of bonds                                    | -                      | -                | -                           | -                | -                |
| Operating transfers in                               | -                      | -                | -                           | -                | -                |
| Operating transfers out                              | -                      | (253,021)        | -                           | (44,693)         | (297,714)        |
|  | <u>-</u>               | <u>(253,021)</u> | <u>-</u>                    | <u>(44,693)</u>  | <u>(297,714)</u> |
| Net changes in fund balances                         | (107,189)              | 1,542,800        | (2,245,671)                 | (63,082)         | (873,142)        |
| Fund balance, beginning of year                      | <u>795,278</u>         | <u>3,131,625</u> | <u>(1,085,864)</u>          | <u>621,019</u>   | <u>3,462,058</u> |
| Fund balance, end of year                            | <u>\$ 688,089</u>      | <u>4,674,425</u> | <u>(3,331,535)</u>          | <u>557,937</u>   | <u>2,588,916</u> |