



BOARD OF SELECTMEN

MEETING AGENDA

Monday, July 18, 2022

7:00 p.m.

Amended

Amended Agenda

Information for remote meeting access listed below.

Pursuant to S. 2985 as amended, a bill to extend certain COVID-related amendments to the Open Meeting Law, as modified by Chapter 22 of the Acts of 2022, permitting remote meetings and participation until March 31, 2023, signed into law on July 16, 2022, this meeting will be conducted via remote participation. No in person attendance by members of the public will be permitted.

To view or listen

- Live Stream link YouTube:
https://www.youtube.com/channel/UCRdBrw3HeEAMB_KFKasrgXA
- Zoom webinar link: <https://town-northborough-ma-us.zoom.us/j/84909928593>
- When prompted, enter Password 611969
- CATV Government Channels: Verizon Channel 30, Charter Channel 192
- Call 1-646-876-9923
When prompted, enter Meeting ID 849 0992 8593 and Password 611969

For Public Comment

Public Comment is allowed and encouraged during any agenda item. To offer comments at any time, please use the “raise hand” button in Zoom, or raise your hand if in person. The Chair will recognize you before any vote or before the agenda item is otherwise concluded.

*** Public comment will be limited to 3 minutes per person ***



BOARD OF SELECTMEN

MEETING AGENDA

Monday, July 18, 2022

7:00 p.m.

-
1. [Approval of June 27, 2022 Meeting Minutes](#)
 2. [7:00 PM - Continued Public Hearing to consider an application from G&I IX FORBES WHITNEY LLC to amend the existing aboveground storage license for premises located at 30 Forbes Road by increasing the on-site storage of flammable and combustible liquids, flammable gases and flammable solids.](#)
 3. [Auditor Presentation regarding the FY2021 Financial Statements](#)
 4. [Verizon - Cable License Renewal](#)
 5. Reports
 6. [Execution of Cemetery Deed 1151](#)
 7. Executive Session - pursuant to M.G.L., Chapter 30A, Section 21, Subsection 3 (Collective Bargaining Strategy Planning) due to the Chair's determination that a discussion regarding this matter in an open meeting may have a detrimental effect on the position of the Board.

**BOARD OF SELECTMEN
MEETING MINUTES – June 27, 2022**

7:00 p.m. - Chairman’s Introduction to Remote Meeting

Chairman Cohen stated that this Open Meeting of the Board of Selectmen was being conducted remotely consistent with Governor Baker’s Executive Order of June 16, 2021, an Act Relative to Extending Certain COVID-19 Measures Adopted During the State of Emergency and that all members of the Board of Selectmen are allowed and encouraged to participate remotely.

Chairman Cohen noted that the Order allows public bodies to meet entirely remotely so long as reasonable public access is afforded so that the public can follow along with the deliberations of the meeting. He added that ensuring public access does not ensure public participation unless such participation is required by law. Chairman Cohen noted that this meeting will allow for Public Comment throughout the agenda. He indicated the various ways that the public may view or participate in this meeting as listed on the posted agenda.

Chairman Cohen confirmed that the following members and persons anticipated on the agenda were remotely present and could be heard.

Board of Selectmen

Mitch Cohen
Julianne Hirsh
Kristen Wixted
Jason Perreault
T. Scott Rogers

Others

John Coderre, Town Administrator
Rebecca Meekins, Assistant Town Administrator
David Parenti, Fire Chief
William Lyver, Police Chief
Scott Charpentier, DPW Director

Any votes taken this evening will be done by roll call.

APPROVAL OF MINUTES – JUNE 13, 2022 MEETING

Selectman Wixted moved the Board vote to approve the June 13, 2022 meeting minutes as amended; Selectman Rogers seconded the motion; the roll call vote was taken as follows:

Perreault	“aye”	Hirsh	“aye”
Rogers	“aye”	Cohen	“aye”
Wixted	“aye”		

APPROVAL OF MINUTES – JUNE 16, 2022 MEETING

Selectman Wixted moved the Board vote to approve the June 16, 2022 meeting minutes as amended; Selectman Rogers seconded the motion; the roll call vote was taken as follows:

Perreault	“aye”	Hirsh	“aye”
Rogers	“aye”	Cohen	“aye”
Wixted	“aye”		

PUBLIC COMMENT

Public Comment was postponed until after the following public hearing.

7:00 p.m. - PUBLIC HEARING

To consider an application from G&I IX FORBES WHITNEY LLC to amend the existing aboveground storage license for premises located at 30 Forbes Road by ~~reducing~~/increasing the on-site storage of flammable and combustible liquids, flammable gases and flammable solids.

Chairman Cohen noted that the revised agenda changed the word “reducing” to “increasing”.

Aspen Aerogels Chief Technology Officer David Bielunis, Director of Environmental Health & Safety George Gould, Rachael Weiskind and Fire Protection and Chemical Engineer Jon Eisenberg were remotely present to speak to the application. Mr. Eisenberg stated that he works as a consultant to Aspen Aerogels. Breanne Timura was also present as owner of the property.

Mr. Gould explained that Aspen Aerogels is expanding and developing new products, creating the need to increase the on-site storage of flammable and combustible liquids, flammable gases and flammable solids. He described their product technology as it relates to automotive battery safety needs. Ms. Weiskind explained the daily operations as they relate to the materials used and materials stored. Mr. Gould added that the waste, which is primarily solid based is removed typically once per week through a professional third party. Ms. Weiskind explained the company’s training program on environmental liabilities. She added that their hazardous waste management control plan, hazardous waste contingency plan and Emergency Preparedness and Response plan are on file with both the Fire and Police Departments. Mr. Gould confirmed that they have not had any significant hazardous spills or injuries. There is a contract in place with an emergency responder 24/7 in the case of an emergency.

Mr. Gould explained the types of materials used in the battery safety operations for electric cars. He noted that with their experiments in the research and development lab they are very disciplined and statistically oriented in their environmental safety and health operations. Chief Parenti noted that the Fire Department is well apprised of each of the specific products and exactly where they are stored.

In addition to the public hearing notice published in the Worcester Telegram & Gazette, the abutting owners and those located directly opposite the premises have been notified of tonight’s public hearing by certified mail.

Mr. Coderre noted that a special permit issued by the Groundwater Advisory Committee is already in effect at higher capacities than what is being proposed at this time.

Chairman Cohen invited questions and comments from the public.

Kerri Martinek of 16 Hemlock Drive asked the following questions:

1. Were they decommissioned and only operating as a headquarters when they reduced the quantities? If so, is this now an expansion of use?
2. If expansion of use, do they need a special permit or an amendment to their original permit?

3. What are the chemicals and were they already approved in the 2002 Groundwater special permit?
4. Do the chemicals need further review 20 years later to see if they are still acceptable? Has groundwater deemed they are not detrimental to the water supply? Do they need to come back to revise their special permit?
5. Did the Groundwater Advisory Committee review the application?
6. Has the storage been reviewed/approved as acceptable?
7. What is the contingency plan for leaks?
8. What kinds of annual inspections will occur and how will the Board of Selectmen condition them outside of the special permit process?
9. Is there a new site plan?
10. Have the abutters been notified of hazardous waste and solids? What was the radius for notification? Was the list of abutters included with the application?

Lisa Maselli of 13 Maple Street asked that the Board not make a decision until it is determined if the application requires review by the Groundwater Advisory Committee.

William Pierce of 367 Whitney Street noted that SA Farms is located in the area around this facility. As SA Farms is deemed Chapter 61A land, do any changes to the original special permit need to be considered?

Due to the typographical error on the original posted agenda, the need for additional information and to give the public opportune time to provide input, the Board agreed to continue the public hearing to the July 18, 2022 meeting.

Selectman Hirsh moved the Board vote to continue the public hearing for the application by G&I IX FORBES WHITNEY LLC to amend the existing aboveground flammables and combustible storage license for premises located at 30 Forbes Road to the July 18, 2022 meeting of the Board of Selectmen at 7:00pm so that the Board may receive and review additional information regarding the particular use of the property in connection with the materials that will be stored at the property; Selectman Perreault seconded the motion; the roll call vote was taken as follows:

Perreault	“aye”	Hirsh	“aye”
Rogers	“aye”	Cohen	“aye”
Wixted	“aye”		

PUBLIC COMMENT

Chairman Cohen introduced the new context-specific Public Comment where the initial Public Comment agenda item is for topics not listed on the agenda, such as suggestions for future discussions. During any agenda item, members of the public are able to offer comments following any presentations and discussions and before a Board vote is concluded. Chairman Cohen invited comments from the public.

Lisa Maselli of 13 Maple Street stated that she did not receive a response to the following questions that were asked during the June 13th Selectmen’s Meeting. She asked if Requests for Proposals are reviewed by the Board of Selectmen before they are posted? She asked if the Board of Selectmen sees monthly reports from Department Heads? She requested a revisit and

rescindment of a department head reporting policy established on July 18, 2016 relative to the Town Administrator's evaluation of the Police Chief and Fire Chief.

Chairman Cohen apologized and noted that answers will be provided to the above questions soon.

REPORTS

Julianne Hirsh

- Noted that the Culture Fest was a big success with a great turnout.
- Congratulated everyone involved in the Be Well Kick-off event.
- Reported on a recent meeting of the White Cliffs Committee. The next meeting is scheduled for July 20th.
- Requested that "public parking" signs be installed anywhere in Town that offers public parking. DPW Director Scott Charpentier responded that he will bring signage recommendations back to the Board for their consideration.

Kristen Wixted

- DPW Director Scott Charpentier confirmed that the safety zone flashing lights at the high school are still in place during school vacations and non-school seasons such as summer in accordance with actions taken by the Board of Selectmen.
- Thanked everyone who attended the ARPA Input Session.
- Wished everyone a Happy Pride Month.
- Cited a quote from Elton John.

Jason Perreault

- Noted that the Culture Fest was a big success despite some windy conditions. Thanked the Cultural Council, everyone who attended and the vendors who participated.

T. Scott Rogers

- Requested that the Board liaison list be formally updated and distributed.
- Thanked the Police Chief for his monthly report.
- Reported on a recent meeting of the Board of Health.
- Noted that free antigen tests are available at the Health Department, Library and Senior Center.
- Welcomed the new staff in the Health Department, including an Epidemiologist, a Health Inspector and two new interns.
- Reported on a recent meeting of the Conservation Commission.
- Thanked everyone who enjoyed the Be Well Kick-off event on June 22nd.

Mitch Cohen

- Thanked those who take the time to email the Board. Emails received included requests and suggestions for ARPA funding, request to create a Traffic & Safety Committee, residential land use issues and a few other topics.
- Congratulated former Board member Dawn Rand for her success on her 50th Dance Recital.
- Noted that the Cultural Fest was a fantastic event and reported that he was the winning bidder on the Northborough Door that was featured in the art exhibit "Go Out Doors".

- Noted that the School Committee voted to schedule professional Development days for all anticipated Town Election dates. He is hoping to speak with them sometime in the coming months to discuss this being done on a long-term basis.
- Noted that the State law that allows Boards and Committees to meet entirely remotely is due to expire on July 15th. There is a chance that the Board will have to meet in person for its July 18th meeting if the Senate's proposal to extend the expiration date to the end of the 2023 calendar year is not approved.
- Noted that the Be Well Kick-off event was a great success. Has heard that there is hope that this will mark the 1st Annual end of school celebration.
- Announced that the Northborough Rotary Club has begun to advertise for participation in the Street Fair that is scheduled to be held on Saturday, September 17th as part of the annual Applefest event. Anyone who would like to participate can email: rotaryclubofnorthborough@gmail.com.

John Coderre

- Noted that it looks like upwards of 1000 people enjoyed the Be Well Kick-off event. Recognized Town staff and the tremendous amount of work that went into making this such a successful event in an effort to build a sense of community.
- Noted that the Audit Report can be found on the Town website. The Town's Auditor will provide a brief presentation at the Board's July 18th meeting.

NEW BUSINESS

APPROVAL OF YEAR-END TRANSFERS

Mr. Coderre provided a quick summary of the approval process for Year-End Transfers. He noted that although it is best practice to cover shortages due to unforeseen circumstances within the same fiscal year, multiple challenges were encountered this year. "Year-End" budget and "Appropriations Committee Reserve Fund" transfers are being requested to cover deficits in the Town Counsel, Public Buildings, and DPW Snow & Ice budgets. The total amount needed is \$305,000, which exceeds the FY2022 Appropriations Reserve Fund budgeted at \$175,000. He proposed that the \$130,000 balance come from an inter-departmental transfer from surplus in the FY2022 Health Insurance budget.

Mr. Coderre noted that the original Snow & Ice Budget for FY2022 was \$437,000. The final expenditure was \$549,058.35, an exceedance of \$112,058.35 or approximately 25.6%. He added that it has been many years since the Town has not covered the Snow & Ice deficit within the same fiscal year.

Mr. Coderre explained the need for Year-End transfers for the following and provided brief update on each. The proposed transfers would keep these FY2022 expenses within the same fiscal year and not roll any costs over to FY2023.

- Legal expenses related to ongoing Planning Board Litigation - \$77,000
- DPW Snow & Ice Deficit - \$113,000
- Remediation of 101 Colburn Street - \$72,000
- Town Hall Custodial Coverage - \$28,000

The request for transfers from the Appropriations Committee Reserve Fund only require approval by the Appropriations Committee and are as follows:

Department to Transfer From:

Appropriations Committee Reserve Fund \$ 175,000

Department to Transfer To:

DPW Snow & Ice \$ 113,000

Remediation of 101 Colburn Street \$ 62,000

Interdepartmental transfers are also being proposed for the additional deficits and require approval by both the Appropriations Committee and the Board of Selectmen. The request for interdepartmental transfers are as follows:

Department to Transfer From:

Health Insurance \$ 115,000

Department to Transfer To:

Remediation of 101 Colburn Street \$ 10,000

Town Hall Custodial Coverage \$ 28,000

Town Counsel Appropriation \$ 77,000

In response to questions from members of the Board as to whether the Legal Budget of \$90,000 should be increased in future years, Mr. Coderre reviewed the different land-use litigation scenarios that drive this particular budget. He also responded that the legal expenses relative to the litigation with the City of Marlborough are paid through the Sewer Enterprise Fund.

Mr. Coderre responded to questions from Lisa Maselli of 13 Maple Street regarding the remediation of 101 Colburn Street; why it is appropriate to discuss the budget that is necessary to support the legal expenses relating to the Planning Board litigation; and why the legal expenses for the Assabet Park Handicap Accessibility project were minimal.

Kerri Martinek of 16 Hemlock Drive suggested that the Board look at all legal expenses, including those for the Zoning Board of Appeals, SA Farms and the Assabet Park ADA compliance issue rather than just those for the Planning Board. She also suggested that the Town consider hiring an attorney that specializes in land-use litigation. Mr. Coderre responded that the Board has already discussed the issues of hiring a land-use attorney. Chairman Cohen suggested that the Board take another look at the process to see if there is anything that Boards and Town staff can do differently. Selectman Wixted acknowledged that the Planning Board works hard to make sure that they are representing the residents and it is not their intention to get sued. Mr. Coderre responded that the intent this evening is to seek approval for the legal expenses relating to the Planning Board litigation, and not to comment on the merits of the Planning Board cases, which are discussed in Executive Session.

Selectman Rogers moved the Board vote to approve the FY2022 year-end transfers as presented in the June 24, 2022 memo from the Town Administrator; Selectman Hirsh seconded the motion; the roll call vote was taken as follows:

Perreault	“aye”	Hirsh	“aye”
Rogers	“aye”	Cohen	“aye”
Wixted	“aye”		

TOWN ADMINISTRATOR REVIEW

Chairman Cohen indicated that he collected and consolidated the reviews from the four other members of the Board, adding that he did not participate in the review as he was not a member of the Board during the review period. He congratulated Mr. Coderre on receiving a rating of 4.0, which is excellent given that some members have a lot of experience working with him while others have less. All comments relating to Mr. Coderre’s review were included in the meeting packet.

Selectman Perreault extended his appreciation to Mr. Coderre for his excellent and dedicated effort to keep the Town on track and well positioned financially, especially during the continued Covid environment. Chairman Cohen stated that he does not envy anyone that has to work for five bosses that potentially change each year. He encouraged Board members to reach out to Mr. Coderre to offer constructive suggestions on how the comments or rating might improve in future years so that Mr. Coderre is able to adapt to the changing membership.

Mr. Coderre thanked the Board for their feedback, adding that the Town has much to be proud of. He thanked the Department Directors and their staff for their continued dedication, especially during these last two years. He is grateful and proud to have professional and experienced staff that have strong relationships, adding that they all work well together. He also thanked the Boards and Committees for being able to work together in dealing with an emergency situation such as Covid.

Selectman Hirsh stated that she would like to see the evaluation tool reviewed and updated. Her lack of ability to get information from a personnel standpoint was a challenge for her. She congratulated Mr. Coderre for a doing a great job. Chairman Cohen suggested that the Board have a discussion with Mr. Coderre about the review process so that if any changes are made they are in place before his next review is due.

Tim Kaelin of 42 Davis Street thanked the Board for renewing Mr. Coderre’s contract. He thinks Mr. Coderre has done a fantastic job and extended to him high praise for his leadership and his ability to retain the Town’s talented staff.

Ruediger Volk of 137 East Main Street noted that reviews of the Town Administrator have not been conducted every year and asked that the Board do so. Chairman Cohen responded that the Board expects to review the Town Administrator’s performance every year.

Selectman Perreault moved the Board vote to approve the Town Administrator’s review for FY2022 as presented; Selectman Rogers seconded the motion; the roll call vote was taken as follows:

Perreault	“aye”	Hirsh	“aye”
Rogers	“aye”	Cohen	“aye”
Wixted	“aye”		

ARPA – DISCUSSION ON PUBLIC INPUT SESSION AND NEXT STEPS

Chairman Cohen noted that as a result of the June 16th ARPA Input Session, the Board heard some fantastic suggestions and ideas for the use of ARPA funding. Many emails have also been received. Selectman Wixted shared her thoughts about creating an Ad Hoc Committee that would review the recommendations and requests and organize and prioritize them for the Board. Selectman Perreault stated that the authority for making decisions about ARPA funding ultimately rests with the Board of Selectmen and that many of the suggestions are familiar and understood by the Board. He stated that the Board should start making decisions soon, adding that the Board of Selectmen, with the assistance from Town staff is capable of consolidating the suggestions into a summarized form of the various categories. Selectman Hirsh asked if someone could reach out to Boards and Committees to hear if they have any funding needs. She added that she would like to see the ARPA email remain available for residents input. Selectman Rogers agreed with the comments by Selectmen Hirsh and Perreault, adding that it is important that the suggestions and projects be aligned and prioritized with the appropriate Departments, Boards or Committees to see if there is grant funding or some other mechanism for funding other than ARPA. Chairman Cohen indicated that given the timeline, his preference is to not delay the process. He would like to see that the Board start prioritizing and making decisions on funding soon. He agreed that the ARPA email should remain available for residents input until there is no longer any ARPA funding available.

Mr. Coderre indicated that ARPA is a one-time funding source and his preference would be to choose a few significant projects or initiatives that matter to the community and move forward with making decisions. He noted that the Federal Government gave this ARPA funding in part to deal with direct expenses and issues that arise from Covid. He cautioned that the Town needs to maintain a certain ARPA fund reserve for Covid related issues that may arise in the future, while at the same time making sure the funds are spent before the deadline.

Selectman Hirsh requested additional information on any items that were not covered by the CARES Act or FEMA. Finance Director Jason Little explained the cumbersome and ever changing process as it relate to these funds. He added that the Town has used up most of its CARES Act and FEMA funding and that there are no uncovered costs remaining.

Chairman Cohen suggested that he and Selectman Hirsh work together to collect and consolidate all the information received to date. He asked Mr. Coderre if his office is able to help with collecting the information with the hopes of providing summary information before revisiting the next steps at the July 18th Selectmen’s Meeting. He added that Mr. Coderre might want to include funding requests for any items that are pressing.

Tim Kaelin of 42 Davis Street reminded the Board that one of the recommendations of the former Diversity & Inclusion Committee was an ask for approximately \$150,000 in ARPA funding to hire a consulting firm to help the new Diversity, Equity, Inclusion & Belonging Committee to determine and implement strategies for diversity.

GOALS – DISCUSSION

Chairman Cohen indicated that at the Board's last meeting he asked Board members to bring an idea or two for goals to tonight's meeting with the hopes of approving a set of goals at either the July or August meeting. The suggested goals are summarized as follows:

Selectman Hirsh

- Continue to address the traffic safety issues by creating a Traffic Safety Committee
- Economic Development efforts
- Work on action items relating to Green Communities that would make Northborough sustainable

Selectman Perreault

- Close the loop and move forward with the Fire Station project
- Move forward with a staffing study that would provide a comprehensive look across all Town departments taking into account the initiatives that the Town will be moving forward with
- Move forward with the Sidewalk Master Plan and the Complete Street program

Selectman Rogers

- Move forward as quickly as possible with the Fire Station project
- Move forward with the Downtown Revitalization project and infrastructure improvements in terms of streets and sidewalks
- Move forward with a staffing study
- Keep focusing on the Town's financial policies and procedures and continue to strive to be recognized with the GFOA Award

Selectman Wixted

- Update the Board's title to Select Board
- Organize and synthesize the ARPA suggestions
- Supports the need for a staffing study
- Work on sustainability, walkability and complete streets
- Consider recruiting people who are not straight white people to serve on Boards and Committees and when hiring new staff
- Move forward with the White Cliffs project

Chairman Cohen

- Economic Development in term of walkability – move forward with the Downtown Revitalization project
- Move forward with the White Cliffs project
- Strategic Planning – staffing study

Mr. Coderre referred to his June 9, 2022 Memo that was provided to the Board in preparation of his review and that detailed the Town's more significant accomplishments. He added that whether or not these are considered goals, the Town needs to begin working on the Town Offices Feasibility study and taking back 4 West Main Street, both of which will take up a significant amount of Staff's time. He reminded the Board that he is also in negotiations with five collective bargaining units. He asked the Board to be cognizant of adding additional significant projects to the ongoing work that needs to get done. He agrees that a staffing study is long overdue and needs to be a priority. He noted that a staffing study will not only look at the staffing needs, but can provide an opportunity to look at the way departments are organized. In terms of Boards and Committees, the Board should at some point look to eliminate some of the defunct Boards and Committees before adding new ones. He would also like to see the Board engage in a formal strategic planning process and to go into the goal setting process as an organization with all participants involved. Following a review of what the strategic planning process would look like, Mr. Coderre extended his appreciation to the Board members for their input and thanked them for asking for his input.

Chairman Cohen suggested that he meet with Mr. Coderre and start to review some of these goals to see which make the most sense in hopes of narrowing them down at the Board's July 18th meeting.

OTHER BUSINESS

None.

PUBLIC COMMENT

Lisa Maselli of 13 Maple Street congratulated the Board on having great conversations and discussions. She recommended that the Town move on from the MMA's Annual Town Report Contest and start fresh with something more important. Mr. Coderre responded that the Town is legally required to produce an annual report every year and does not do so for the purpose of participation in the contest.

ADJOURNMENT

Selectman Perreault moved the Board vote to adjourn, Selectman Hirsh seconded the motion; the roll call vote was taken as follows:

Perreault	"aye"	Hirsh	"aye"
Rogers	"aye"	Cohen	"aye"
Wixted	"aye"		

The meeting adjourned at 9:52 p.m.

Respectfully submitted,



Diane M. Wackell
Executive Assistant to the
Board of Selectmen

Documents used during meeting:

1. June 27, 2022 Meeting Agenda
2. June 13, 2022 Meeting Minutes
3. June 16, 2022 Meeting Minutes
4. Information Packet- Aboveground Storage Public Hearing
5. Information Packet – Year-End Transfers
6. Information Packet – Town Administrator’s Review
7. Memorandum – Discussion regarding ARPA and Goals.



TOWN OF NORTHBOROUGH

Town Offices
63 Main Street
Northborough, MA 01532-1994
(508) 393-5040 Phone
(508) 393-6996 Fax

MEMORANDUM

TO: Board of Selectmen

FROM: Town Administrator

SUBJECT: Aspen Aerogels—
Continued Public Hearing to consider an application from G&I IX
FORBES WHITNEY LLC to amend the existing aboveground storage
license for premises located at 30 Forbes Road by increasing the on-site
storage of flammable and combustible liquids, flammable gases and
flammable solids.

DATE: July 15, 2022

As you know the Board voted at its June 27, 2022 meeting to continue the public hearing for the Aspen Aerogels flammable storage license to its July 18th meeting at 7PM. Please be advised that we received a request from the applicant for another continuance for the above referenced public hearing to the Board's August 15, 2022 meeting.

Town Counsel is in support of the continuance request as it would allow additional time for both parties to review the implications of the 2002 Special Permit associated with the flammable storage license. In terms of the Board's meeting on July 18th, Town Counsel strongly recommends that the Board simply vote to continue the hearing and not discuss the license or take public comment on the topic, as the applicant will not be in attendance.

John W. Coderre



TOWN OF NORTHBOROUGH

63 Main Street
Northborough, MA 01532-1994
(508) 393-5040 Phone
(508) 393-6996 Fax

MEMORANDUM

TO: Board of Selectmen
FROM: Town Administrator
SUBJECT: FY2021 Financial Statements
DATE: July 14, 2022
CC: Town Accountant

The Auditor will be coming to the Board of Selectmen meeting on Monday to review the attached FY2021 Financial Statements and Management Letter. He will make a brief presentation and be available to answer any questions.

John W. Coderre

John W. Coderre

TOWN OF NORTHBOROUGH, MASSACHUSETTS
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF NORTHBOROUGH, MASSACHUSETTS

Management Letter

Year Ended June 30, 2021

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To the Honorable Board of Selectmen
Town of Northborough
Northborough, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Northborough as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Northborough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the management, the Board of Selectmen, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

April 22, 2022

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Implementation of Future GASB Statements

Comment:

In an effort to enhance financial information of a government's financial statements, the GASB is continually issuing new pronouncements that will effect what is required to be reported in a government's financial statements. Over the past couple years GASB has been active in developing new standards. It is important that the Town be aware of the current and future statements. The following are some of new GASB pronouncements that will be required to be implemented in future fiscal years:

- GASB Statement No. 87 – Leases. This statement is required to be implemented in fiscal year 2021(revised to 2022).

Given the significant impact of this GASB statement on the Town's financial accounting and reporting, we recommend that the Town familiarize and educate themselves with the aforementioned statement to ensure proper implementation.

2. Document Management and Retention

Comment:

During the audit and detail testing it was observed the Accounting Office had numerous file boxes stacked up of older records. The Town should be conscious of the Secretary of State's records retention schedule which can sometimes require that certain bills and vouchers be retained for longer periods than after the audit is complete. We recommend suitable storage space be secured by the Town in order to maintain these records. In lieu of storing physical records, other Towns have implemented digital document management systems that sometimes integrate with their accounting systems.

3. Police Details

Comment:

During the audit it was observed that the Accounting Office does not have ongoing access to Police Department billing records. The Accounting Office relies on an annual report produced by the department in order to make journal entries to record the accounts receivable due the Town at fiscal year-end. This year the report provided by the department followed the close of the year, and given that there were no interim receipts the report should have been reliable. When looking at subsequent receipts to form an opinion on the likelihood that the amounts would be collected, it was observed the subsequent receipts had already been credited from the receivable report. This timing issue led to Accountant's records being inaccurate. We recommend a more comprehensive and recurring system for reconciling these records. Many other towns have implemented integrated accounting software so that the accounting records are more accurately tracked in the town's accounting system.

4. Other Items

- Internal Control Policies and Procedures Manual
- Bank Transfers for Accounts that Retain its Investment Income (CPA and Conservation Funds).

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2021

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For the Year Ended June 30, 2021

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Northborough, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of June 30, 2021, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Northborough, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2022, on our consideration of the Town of Northborough, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Northborough, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

April 22, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Northborough, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$18,324,956 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$18,991,427, or a decrease of \$666,471 (4%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$24,056,910, an increase of \$2,545,942 (12%) in comparison with the prior year.
- The General Fund's total fund balance increased \$624,155 (5%) to \$12,681,538. The ending General fund balance is 16% of revenues, transfers in, proceeds from issuance of refunding bonds and bond premiums; and 16% of expenditures, transfers out and payments to refunding bonds.
- The total liabilities of the Town increased by \$10,459,891 (10%) to \$111,666,611 during the fiscal year. This was mainly attributed to net increases in warrants and accounts payable of \$708,012, in unearned revenue of \$1,044,004, in due to other governments of \$889,532, in bond anticipation notes payable of \$1,495,000 and in the other post employment benefit (OPEB) liability of \$4,794,737.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$3,399,259. The key factors that attributed to the free cash amount for fiscal year 2021 were unexpended/unencumbered appropriations of \$1,561,100, excess over budget state and local receipts of \$975,000 and prior year free cash not appropriated of \$500,600.
- The Town's enterprise funds certified free cash are as follows:
 - Sewer fund \$ 7,363,720.
 - Water fund \$ 550,333.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources with the net difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes sewer and water.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Northborough adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Financial Highlights

Statement of Net Position Highlights

	Governmental		
	Activities		
	2021	2020	Change
Assets:			
Current assets	\$ 37,498,022	\$ 29,189,298	\$ 8,308,724
Capital assets	67,710,950	70,151,282	(2,440,332)
Total assets	105,208,972	99,340,580	5,868,392
Deferred Outflows of Resources	6,633,647	3,185,572	3,448,075
Liabilities:			
Current liabilities (excluding debt)	7,942,991	4,431,540	3,511,451
Current debt including leases	4,944,266	3,203,000	1,741,266
Noncurrent liabilities (excluding debt)	71,166,792	65,995,971	5,170,821
Noncurrent debt including leases	14,457,337	15,873,000	(1,415,663)
Total liabilities	98,511,386	89,503,511	9,007,875
Deferred Inflows of Resources	11,891,346	10,502,757	1,388,589
Net Position:			
Net investment in Capital assets	48,309,347	51,075,282	(2,765,935)
Restricted	12,807,158	9,531,850	3,275,308
Unrestricted	(59,676,618)	(58,087,248)	(1,589,370)
Total net position	\$ 1,439,887	\$ 2,519,884	\$ (1,079,997)

	Business-Type		
	Activities		
	2021	2020	Change
Assets:			
Current assets	\$ 12,128,126	\$ 10,093,431	\$ 2,034,695
Noncurrent assets (excluding capital assets)	362,357	444,685	(82,328)
Capital assets	17,588,114	17,697,847	(109,733)
Total assets	30,078,597	28,235,963	1,842,634
Deferred Outflows of Resources	116,204	96,843	19,361
Liabilities:			
Current liabilities (excluding debt)	5,866,260	4,944,606	921,654
Current debt	1,578,816	1,507,456	71,360
Noncurrent liabilities (excluding debt)	1,265,333	1,487,514	(222,181)
Noncurrent debt	4,444,816	3,763,633	681,183
Total liabilities	13,155,225	11,703,209	1,452,016
Deferred Inflows of Resources	154,507	158,054	(3,547)
Net Position:			
Net Investment in Capital Assets	11,564,482	12,438,868	(874,386)
Restricted	1,695,743	554,710	1,141,033
Unrestricted	3,624,844	3,477,965	146,879
Total net position	\$ 16,885,069	\$ 16,471,543	\$ 413,526

Financial Highlights
Statement of Activities Highlights

	Governmental		
	Activities 2021	2020	Change
Program Revenues:			
Charges for services	\$ 3,868,505	\$ 2,915,708	\$ 952,797
Operating grants and contributions	15,562,033	13,481,162	2,080,871
Capital grants and contributions	529,251	986,882	(457,631)
General Revenues:			
Property taxes	54,741,929	53,445,277	1,296,652
Motor vehicle excise and other taxes	2,973,066	3,204,351	(231,285)
Penalties and interest on taxes	205,171	-	205,171
Nonrestricted grants	1,485,662	1,375,166	110,496
Unrestricted investment income	101,980	548,706	(446,726)
Miscellaneous	23,349	214,529	(191,180)
Total revenues	79,490,946	76,171,781	3,319,165
Expenses:			
General government	4,087,811	3,188,160	899,651
Public safety	6,282,917	6,164,203	118,714
Public works	5,059,330	4,815,229	244,101
Education	43,317,548	42,159,388	1,158,160
Health and human services	1,118,355	1,028,666	89,689
Culture and recreation	1,451,706	2,152,203	(700,497)
Employee benefits and insurance	18,444,234	17,013,693	1,430,541
State assessments	235,219	251,463	(16,244)
Interest	594,823	678,119	(83,296)
Total expenses	80,591,943	77,451,124	3,140,819
Contributions to permanent funds	21,000	-	21,000
Change in net position	(1,079,997)	(1,279,343)	199,346
Net position - beginning of year	2,519,884	3,799,227	(1,279,343)
Net position - end of year	\$ 1,439,887	\$ 2,519,884	(1,079,997)

	Business-Type		
	Activities 2021	2020	Change
Program Revenues:			
Charges for services	\$ 5,193,879	\$ 5,167,539	\$ 26,340
Operating grants and contributions	13,817	102,240	(88,423)
Total revenues	5,207,696	5,269,779	(62,083)
Expenses:			
Sewer	2,232,008	2,522,041	(290,033)
Water	2,562,162	2,653,114	(90,952)
Total expenses	4,794,170	5,175,155	(380,985)
Change in net position	413,526	94,624	318,902
Net position - beginning of year	16,471,543	16,376,919	94,624
Net position - end of year	\$ 16,885,069	\$ 16,471,543	\$ 413,526

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,324,956 at the close of fiscal year 2021.

Net position of \$59,873,829 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$14,502,901, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$56,051,774).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position for the business-type activities.

The governmental activities net position decreased by \$1,079,997 (43%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2021 was attributed to increases resulting from the net changes in governmental funds of \$2,545,942, in the deferred outflows/(inflows) of resources related to OPEB of \$4,030,783 and in debt payable of \$1,265,397; and to the decreases as a result of the depreciation expense (normally spread out over the useful life of the asset) for the year of \$4,611,774 exceeding the acquisition of \$2,171,442 in new capital assets and as a result of recognizing the changes in the OPEB liability of \$4,827,430 and in the deferred outflows/(inflows) of resources related to pensions of \$1,102,065 as compared to the prior year.

There was an increase of \$413,526 (3%) in net position reported in connection with the sewer and water business-type activities. Of this, there was an increase of \$361,997 attributed to the sewer department and of \$51,529 attributed to the water department.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$24,056,910, an increase of \$2,545,942 (12%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$743,864 (3%).
- Restricted fund balance – \$8,843,690 (37%).
- Committed fund balance – \$2,286,253 (9%).
- Assigned fund balance – \$1,918,844 (8%).
- Unassigned fund balance – \$10,264,259 (43%).

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the fiscal year, the General Fund reported a total fund balance of \$12,681,538, increasing \$624,155 (5%) from the prior year. Of the \$12,681,538, the unassigned amount is \$10,762,694 (85%) and the assigned amount is \$1,918,844 (15%). General fund revenues were \$2,142,259 (3%) more than the prior fiscal year and expenditures also increased by \$1,750,885 (3%). Other activity in the General Fund consisted of net transfers to other funds of \$1,031,518.

The main components of the increases in general fund revenues as compared to the prior year related to increases in property taxes in the amount of \$1,355,266 (3%) and in intergovernmental "on-behalf payments of \$1,017,909 (16%).

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in Public works expenditures of \$340,712 (15%).
- Increase in Education expenditures of \$921,067 (2%).
- Increase in Employee benefits and insurance expenditures of \$989,741 (7%).
- Decrease in Debt Service (principal and interest) of \$474,178 (18%).

The *Fire Station Design and Land Fund* is used to account for the purchase of land for a new public safety facility. The fund has a balance of \$1,369,711 at the end of the fiscal year and shows an increase of \$10,655 (1%) attributed to the expenditures of \$17,203 and proceeds from issuance of notes of \$6,548. The Town has issued a bond anticipation note of \$2,110,000 which is not reflected in the Fund Balance. The fund ended fiscal year 2021 with a negative balance due to the interim financing with bond anticipation notes. Permanent financing will be done once the project nears completion which will eliminate the deficit.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The *Sewer Fund* has accumulated a fund balance of \$8,736,535 used in the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$361,997 (4%) in total operations. This change was mainly attributed to operating revenues exceeding operating expenses by \$511,000, interest income of \$12,199, interest expense of \$134,454 and net transfers out to the water fund of \$26,748. Operating revenues decreased by \$2,443 and operating expenses also decreased by \$382,448 (15%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$8,148,534 used in the financing and operations of the Town's water system. The water fund shows an increase of \$51,529 (1%) in total operations. This change resulted from operating revenues exceeding operating expenses by \$67,466, interest income of \$1,618, interest expense of \$44,305 and net transfers in from the sewer fund of \$26,748. Operating revenues increased by \$28,783 (1%) while operating expenses decreased by \$90,727 (3%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2021 was \$65,472,435. This was an increase of \$1,590,611 (2%) over the previous year's budget.

There was a decrease of \$41,736 between the original budget and the total final amended budget. The change is attributed to votes made at the annual town meeting and May 2021 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,804,979. Of the \$2,804,979 in under budget expenditures, \$1,243,844 has been carried over to fiscal year 2022.

There is a negative variance in interest on investments of \$116,256 as the expectation (budget) was higher than the actual receipts.

Overall, the variance with the final budget was a positive \$3,279,669 consisting of a revenue surplus of \$1,718,534 and an appropriation surplus of \$1,561,135.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$67,710,950 and \$17,588,114, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Town Common improvements for \$116,710.
- Town Hall phone system for \$73,223.
- Police Station boiler replacement for \$86,247.
- Police vehicle and equipment purchases for \$54,360.
- Fire Station improvements for \$17,203.
- Fire Department equipment purchase for \$37,749.
- Senior Center improvements for \$17,701.
- Assabet Park playground improvements for \$48,383.

Major capital acquisitions during the current fiscal year in the business-type funds included the following:

In the Sewer Fund:

- Sewer equipment purchases for \$79,269.

In the Water Fund:

- Water infrastructure improvements for \$587,597.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2021, totaled \$15,394,925, of which \$10,400,075 is for various school building renovations, \$55,000 is for various land acquisitions, \$3,603,275 is for various building improvements, \$205,000 for an ambulance, \$5,825 is for the park improvements, \$564,000 is for infrastructure and \$561,750 is for environmental remediation projects.

The governmental activities currently have \$3.2 million in bond anticipation notes outstanding for various land acquisitions.

The business-type funds outstanding long-term debt totaling \$4,866,707 consisting of \$2,848,00 in sewer debt and \$2,018,707 which relates to water projects that are fully supported by the rates.

The Town also has \$725,000 in business-type temporary debt for a water tank project.

Please refer to notes 3D, 3F and 3G for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Northborough operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2021 do not reflect the fiscal year 2022 Town Meeting action except for the fund balance free cash amount used to fund the 2022 budget.

The Annual Town Meeting on May 1, 2021 authorized a fiscal year 2022 operating and capital budget as follows:

From the tax levy		\$	62,352,681
From sewer receipts			2,373,460
From solid waste receipts	\$	488,000	
From solid waste retained earnings		<u>93,984</u>	581,984
From water receipts		2,645,127	
From water retained earnings		<u>316,548</u>	2,961,675
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash			675,000
Non-major Governmental Funds:			
Animal Control Revolving		27,461	
Cable Access Television		262,753	
Cemetery trust funds		19,495	
Community preservation funds		1,011,830	
Conservation commission funds		8,523	
Fire emergency medical funds		351,240	
Medicare Part D Subsidy		39,039	
Premium on sale of bonds		9,835	
Sale of cemetery lots		12,000	
Transportation network surcharges		<u>3,587</u>	1,745,763
			<u>\$ 70,690,563</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Northborough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 63 Main Street, Northborough, Massachusetts 01532.

BASIC FINANCIAL STATEMENTS

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 22,575,287	\$ 10,618,887	\$ 33,194,174
Investments	10,707,895	-	10,707,895
Receivables, net of allowance for uncollectibles:			
Property Taxes	406,652	-	406,652
Tax Liens	675,955	-	675,955
Excise Taxes	236,318	-	236,318
User Charges	-	1,508,207	1,508,207
Departmental	357,913	-	357,913
Special Assessments	-	1,032	1,032
Due from Other Governments	2,510,343	-	2,510,343
Inventory	27,659	-	27,659
Total current assets	<u>37,498,022</u>	<u>12,128,126</u>	<u>49,626,148</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	362,357	362,357
Capital Assets, net of accumulated Depreciation			
Nondepreciable	8,967,376	3,498,620	12,465,996
Depreciable	58,743,574	14,089,494	72,833,068
Total noncurrent assets	<u>67,710,950</u>	<u>17,950,471</u>	<u>85,661,421</u>
Total Assets	<u>105,208,972</u>	<u>30,078,597</u>	<u>135,287,569</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,757,602	76,157	2,833,759
Deferred Outflows Related to OPEB	3,876,045	40,047	3,916,092
Total Deferred Outflows of Resources	<u>6,633,647</u>	<u>116,204</u>	<u>6,749,851</u>
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	1,763,904	284,335	2,048,239
Accrued Payroll	2,659,619	14,865	2,674,484
Payroll Withholdings	266,649	-	266,649
Tax Refund Payable	242,000	-	242,000
Accrued Interest	128,732	33,237	161,969
Other	261,524	-	261,524
Unearned Revenue	2,258,159	-	2,258,159
Compensated Absences	362,404	17,712	380,116
Due to Other Governments	-	5,516,111	5,516,111
Bond Anticipation Notes Payable	3,200,000	725,000	3,925,000
Bonds Payable	1,744,266	853,816	2,598,082
Total current liabilities	<u>12,887,257</u>	<u>7,445,076</u>	<u>20,332,333</u>
NONCURRENT:			
Compensated Absences	195,971	8,658	204,629
Net OPEB Liability	40,689,859	420,402	41,110,261
Net Pension Liability	30,280,962	836,273	31,117,235
Bonds Payable	14,457,337	4,444,816	18,902,153
Total noncurrent liabilities	<u>85,624,129</u>	<u>5,710,149</u>	<u>91,334,278</u>
Total Liabilities	<u>98,511,386</u>	<u>13,155,225</u>	<u>111,666,611</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Paid in Advance	869,232	-	869,232
Deferred Inflows Related to Pensions	2,350,406	64,912	2,415,318
Deferred Inflows Related to OPEB	8,671,708	89,595	8,761,303
Total Deferred Inflows of Resources	<u>11,891,346</u>	<u>154,507</u>	<u>12,045,853</u>
NET POSITION			
Net Investment in Capital Assets	48,309,347	11,564,482	59,873,829
Restricted for:			
Capital Projects	4,557,177	1,695,743	6,252,920
Federal & State Grants	1,700,085	-	1,700,085
Community Preservation	3,268,523	-	3,268,523
Permanent Funds:			
Expendable	311,917	-	311,917
Nonexpendable	716,205	-	716,205
Other Purposes	2,253,251	-	2,253,251
Unrestricted	(59,676,618)	3,624,844	(56,051,774)
Total Net Position	<u>\$ 1,439,887</u>	<u>\$ 16,885,069</u>	<u>\$ 18,324,956</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, 2021**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 4,087,811	\$ 603,762	\$ 999,723	\$ -	\$ (2,484,326)	\$ -	\$ (2,484,326)
Public Safety	6,282,917	2,025,716	91,758	-	(4,165,443)	-	(4,165,443)
Public Works	5,059,330	629,311	191,608	529,251	(3,709,160)	-	(3,709,160)
Education	43,317,548	12,882	6,485,071	-	(36,819,595)	-	(36,819,595)
Health and Human Services	1,118,355	201,119	122,530	-	(794,706)	-	(794,706)
Culture and Recreation	1,451,706	395,715	65,018	-	(990,973)	-	(990,973)
Employee Benefits and Insurance	18,444,234	-	7,606,325	-	(10,837,909)	-	(10,837,909)
State Assessments	235,219	-	-	-	(235,219)	-	(235,219)
Interest	594,823	-	-	-	(594,823)	-	(594,823)
Total Governmental Activities	80,591,943	3,868,505	15,562,033	529,251	(60,632,154)	-	(60,632,154)
Business-Type Activities:							
Sewer	2,232,008	2,608,554	12,199	-	-	388,745	388,745
Water	2,562,162	2,585,325	1,618	-	-	24,781	24,781
Total Primary Government	\$ 85,386,113	\$ 9,062,384	\$ 15,575,850	\$ 529,251	(60,632,154)	413,526	(60,218,628)
General Revenues:							
Property Taxes					54,741,929	-	54,741,929
Motor vehicle and other taxes					2,973,066	-	2,973,066
Penalties & Interest on taxes					205,171	-	205,171
Grants & Contributions not restricted to specific programs					1,485,662	-	1,485,662
Unrestricted Investment Income					101,980	-	101,980
Miscellaneous					23,349	-	23,349
Contributions to Permanent Funds					21,000	-	21,000
Total General Revenues, Contributions and Transfers					59,552,157	-	59,552,157
Change in Net Position					(1,079,997)	413,526	(666,471)
Net Position:							
Beginning of year (as restated)					2,519,884	16,471,543	18,991,427
End of year					\$ 1,439,887	\$ 16,885,069	\$ 18,324,956

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Fire Station Design and Land Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 12,039,083	\$ 3,484,896	\$ 7,051,308	\$ 22,575,287
Investments	5,325,898	-	5,381,997	10,707,895
Receivables, net of allowance for uncollectibles:				
Property Taxes	403,374	-	3,278	406,652
Tax Liens	669,629	-	6,326	675,955
Excise Taxes	236,318	-	-	236,318
Departmental	2,200	-	355,713	357,913
Due from Other Governments	592,605	-	1,917,738	2,510,343
Inventory	-	-	27,659	27,659
Total Assets	\$ 19,269,107	\$ 3,484,896	\$ 14,744,019	\$ 37,498,022
Liabilities:				
Warrants and Accounts Payable	\$ 1,018,037	\$ 5,185	\$ 740,682	\$ 1,763,904
Accrued Payroll	2,592,922	-	66,697	2,659,619
Payroll Withholdings	266,649	-	-	266,649
Tax Refund Payable	242,000	-	-	242,000
Other	13,252	-	248,272	261,524
Unearned Grant Revenue	-	-	2,258,159	2,258,159
Bond Anticipation Notes Payable	-	2,110,000	1,090,000	3,200,000
Total Liabilities	4,132,860	2,115,185	4,403,810	10,651,855
Deferred Inflows of Resources:				
Taxes Paid in Advance	856,011	-	13,221	869,232
Unavailable Revenue	1,598,698	-	321,327	1,920,025
Total Deferred Inflows of Resources:	2,454,709	-	334,548	2,789,257
Fund Balance:				
Non-Spendable	-	-	743,864	743,864
Restricted	-	1,369,711	7,473,979	8,843,690
Committed	-	-	2,286,253	2,286,253
Assigned	1,918,844	-	-	1,918,844
Unassigned	10,762,694	-	(498,435)	10,264,259
Total Fund Balance	12,681,538	1,369,711	10,005,661	24,056,910
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,269,107	\$ 3,484,896	\$ 14,744,019	\$ 37,498,022

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, 2021**

	General Fund	Fire Station Design and Land Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 54,032,801	\$ -	\$ 653,423	\$ 54,686,224
Intergovernmental	5,651,258	-	4,074,147	9,725,405
Excise and Other Taxes	2,940,935	-	-	2,940,935
Charges for Services	-	-	2,820,830	2,820,830
Licenses, Permits, Fees	1,392,327	-	-	1,392,327
Interest and Penalties on Taxes	203,828	-	1,343	205,171
Investment Income	101,980	-	72,847	174,827
Gifts and Donations	-	-	25,388	25,388
Other	-	-	78,575	78,575
Intergovernmental - "On-behalf" Payments	7,580,725	-	-	7,580,725
Total Revenues	71,903,854	-	7,726,553	79,630,407
Expenditures:				
Current:				
General Government	2,761,547	-	1,329,870	4,091,417
Public Safety	5,188,973	17,203	818,363	6,024,539
Public Works	2,656,315	-	2,153,658	4,809,973
Education	39,291,140	-	2,269,378	41,560,518
Health and Human Services	686,938	-	304,441	991,379
Culture and Recreation	1,023,466	-	262,732	1,286,198
Employee Benefits and Insurance	16,212,601	-	-	16,212,601
State Assessments	235,219	-	-	235,219
Debt Service:				
Principal	1,600,548	-	305,012	1,905,560
Interest	591,434	-	59,360	650,794
Total Expenditures	70,248,181	17,203	7,502,814	77,768,198
Excess of Revenues Over (Under) Expenditures	1,655,673	(17,203)	223,739	1,862,209
Other Financing Sources (Uses):				
Operating Transfers In	823,417	6,548	1,848,387	2,678,352
Operating Transfers Out	(1,854,935)	-	(823,417)	(2,678,352)
Proceeds from Issuance of Refunding Bonds	4,250,925	-	-	4,250,925
Bond Premium Refunding Bonds	688,293	-	-	688,293
Bond Premium	-	-	167,173	167,173
Proceeds from Issuance of Bonds and Notes	-	-	516,560	516,560
Payments to Refunding Bonds Escrow Agent	(4,939,218)	-	-	(4,939,218)
Total Other Financing Sources (Uses)	(1,031,518)	6,548	1,708,703	683,733
Net Change in Fund Balances	624,155	(10,655)	1,932,442	2,545,942
Fund Balances, Beginning of Year (as restated)	12,057,383	1,380,366	8,073,219	21,510,968
Fund Balances, End of Year	\$ 12,681,538	\$ 1,369,711	\$ 10,005,661	\$ 24,056,910

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2021

Total Governmental Fund Balances		\$ 24,056,910
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		67,710,950
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,920,025
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		(4,388,467)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (16,201,603)	
Net Other Post Employment Benefits Liability	(40,689,859)	
Net Pension Liability	(30,280,962)	
Compensated Absences	<u>(558,375)</u>	(87,730,799)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(128,732)</u>
Net Position of Governmental Activities		<u><u>\$ 1,439,887</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	2,545,942
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 2,171,442	
Depreciation	<u>(4,611,774)</u>	(2,440,332)
<p>Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue and WPAT subsidy.</p>		
		(149,937)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>		
Repayment of Debt Principal	1,905,560	
Proceeds from Issuance of Bonds	(516,560)	
Net Amortization of Premium from Issuance of Bonds	43,570	
Premium from the Issuance of Bonds and Refunding Bonds	(855,466)	
Payments to Refunding Bonds Escrow Agent	4,939,218	
Proceeds from Issuance of Refunding Bonds	<u>(4,250,925)</u>	1,265,397
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net Change in Compensated Absences	(81,835)	
Net Change in Net Other Post Employment Benefits Liability	(4,827,430)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	4,030,783	
Net Change in Net Pension Liability	(332,921)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(1,102,065)	
Net Change in Accrued Interest on Long-Term Debt	<u>12,401</u>	(2,301,067)
Change in Net Position of Governmental Activities	\$	<u>(1,079,997)</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Final Budget			
	Forward from Prior Year	Original Budget				
Revenues:						
Property Taxes	\$ -	\$ 53,597,447	\$ 53,597,447	\$ 54,341,010	\$ -	\$ 743,563
Intergovernmental	-	5,410,121	5,410,121	5,651,258	-	241,137
Excise and Other Taxes	-	2,555,000	2,555,000	2,940,935	-	385,935
Licenses, Permits, Fees	-	997,000	997,000	1,392,327	-	395,327
Interest and Penalties on Taxes	-	135,000	135,000	203,828	-	68,828
Interest on Investments	-	150,000	150,000	33,744	-	(116,256)
Total Revenues	-	62,844,568	62,844,568	64,563,102	-	1,718,534
Expenditures:						
Current:						
General Government	134,414	3,549,619	3,583,480	2,761,547	282,108	539,825
Public Safety	42,168	5,407,714	5,452,097	5,188,973	35,320	227,804
Public Works	393,085	2,657,158	3,097,777	2,656,315	388,323	53,139
Education	362,382	39,400,094	39,762,476	39,291,140	448,320	23,016
Health and Human Services	780	740,038	742,252	686,938	10,676	44,638
Culture and Recreation	22,900	1,104,704	1,135,238	1,023,466	26,747	85,025
Employee Benefits and Insurance	42,148	9,181,017	9,223,165	8,631,876	52,350	538,939
State Assessments	-	273,418	273,418	235,219	-	38,199
Debt Service:						
Principal	-	1,600,548	1,600,548	1,600,548	-	-
Interest	-	601,984	601,984	591,434	-	10,550
Total Expenditures	997,877	64,516,294	65,472,435	62,667,456	1,243,844	1,561,135
Excess of Revenues Over (Under) Expenditures	(997,877)	(1,671,726)	(2,627,867)	1,895,646	(1,243,844)	3,279,669
Other Financing Sources (Uses):						
Operating Transfers In	-	755,886	714,150	823,417	-	109,267
Operating Transfers Out	-	(1,049,935)	(1,854,935)	(1,854,935)	-	-
Total Other Financing Sources (Uses)	-	(294,049)	(1,140,785)	(1,031,518)	-	109,267
Net Change in Budgetary Fund Balance	(997,877)	(1,965,775)	(3,768,652)	\$ 864,128	\$ (1,243,844)	\$ 3,388,936
Other Budgetary Items:						
Free Cash and Other Reserves	-	1,965,775	2,770,775			
Prior Year Encumbrances	997,877	-	997,877			
Total Other Budgetary Items	997,877	1,965,775	3,768,652			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2021

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 64,563,102	\$ 62,667,456
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	68,236	-
Net Decrease in Revenue from recording Refund Taxes Payable	(242,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	7,580,725	-
Recognition of Expenditures - "on behalf payments"	-	7,580,725
Net Decrease in Revenue from Recording 60-Day Receipts	(66,209)	-
Reported on a GAAP Basis	\$ 71,903,854	\$ 70,248,181

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 8,092,182	\$ 2,526,705	\$ 10,618,887
User Charges, net of allowance for uncollectibles	782,457	725,750	1,508,207
Special Assessments	1,032	-	1,032
Total current assets	8,875,671	3,252,455	12,128,126
NONCURRENT:			
Special Assessments	329,667	32,690	362,357
Capital Assets, net of accumulated depreciation:			
Nondepreciable	2,613,997	884,623	3,498,620
Depreciable	6,244,550	7,844,944	14,089,494
Total noncurrent assets	9,188,214	8,762,257	17,950,471
Total Assets	18,063,885	12,014,712	30,078,597
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	30,463	45,694	76,157
Deferred Outflows Related to OPEB	15,985	24,062	40,047
Total Deferred Outflows of Resources	46,448	69,756	116,204
LIABILITIES			
CURRENT:			
Accounts Payable	202,412	81,923	284,335
Accrued Payroll	5,946	8,919	14,865
Accrued Interest	20,739	12,498	33,237
Compensated Absences	7,085	10,627	17,712
Due to Other Governments	5,516,111	-	5,516,111
Bond Anticipation Notes Payable	-	725,000	725,000
Bonds Payable	498,249	355,567	853,816
Total current liabilities	6,250,542	1,194,534	7,445,076
NONCURRENT:			
Compensated Absences	3,463	5,195	8,658
Net OPEB Liability	167,803	252,599	420,402
Net Pension Liability	334,512	501,761	836,273
Bonds Payable	2,555,751	1,889,065	4,444,816
Total noncurrent liabilities	3,061,529	2,648,620	5,710,149
Total Liabilities	9,312,071	3,843,154	13,155,225
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	25,965	38,947	64,912
Deferred Inflows Related to OPEB	35,762	53,833	89,595
Total Deferred Inflows of Resources	61,727	92,780	154,507
NET POSITION			
Net Investment in Capital Assets	5,804,547	5,759,935	11,564,482
Restricted for Capital	332,884	1,362,859	1,695,743
Unrestricted	2,599,104	1,025,740	3,624,844
Total Net Position	\$ 8,736,535	\$ 8,148,534	\$ 16,885,069

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues:			
Charges for Services	\$ 2,533,779	\$ 2,548,925	\$ 5,082,704
Special Assessments	74,775	36,400	111,175
Total Operating Revenues	2,608,554	2,585,325	5,193,879
Operating Expenses:			
Salaries & Wages	205,893	308,089	513,982
Operating Expenses	1,632,461	1,692,370	3,324,831
Depreciation	259,200	517,398	776,598
Total Operating Expenses	2,097,554	2,517,857	4,615,411
Operating Income (Loss)	511,000	67,468	578,468
Non-Operating Revenues (Expenses):			
Investment Income	12,199	1,618	13,817
Interest Expense	(134,454)	(44,305)	(178,759)
Total Non-Operating Revenues (Expenses)	(122,255)	(42,687)	(164,942)
Income (Loss) Before Operating Transfers	388,745	24,781	413,526
Operating Transfers:			
Transfer In	-	26,748	26,748
Transfers (Out)	(26,748)	-	(26,748)
Total Operating Transfers	(26,748)	26,748	-
Change in Net Position	361,997	51,529	413,526
Net Position at Beginning of Year	8,374,538	8,097,005	16,471,543
Net Position at End of Year	\$ 8,736,535	\$ 8,148,534	\$ 16,885,069

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, 2021**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 2,655,650	\$ 2,647,487	\$ 5,303,137
Payments to Vendors	(834,330)	(1,815,561)	(2,649,891)
Payments to Employees	(207,935)	(311,153)	(519,088)
Net Cash Provided by (Used for) Operating Activities	1,613,385	520,773	2,134,158
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(26,748)	26,748	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(26,748)	26,748	-
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(79,267)	(587,598)	(666,865)
Proceeds from the Issuance of Bonds and Notes	698,800	1,391,800	2,090,600
Proceeds from Issuance of Refunding Bonds	524,200	585,275	1,109,475
Payments to Refunding Bonds Escrow Agent	(608,000)	(678,000)	(1,286,000)
Other	206,000	225,925	431,925
Principal Payments on Bonds and Notes	(1,332,436)	(253,605)	(1,586,041)
Interest Expense	(133,354)	(39,181)	(172,535)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(724,057)	644,616	(79,441)
Cash Flows from Investing Activities:			
Investment Income	12,199	1,618	13,817
Net Cash Provided by (Used for) Investing Activities	12,199	1,618	13,817
Net Increase (Decrease) in Cash and Cash Equivalents	874,779	1,193,755	2,068,534
Cash and Cash Equivalents at Beginning of Year	7,217,403	1,332,950	8,550,353
Cash and Cash Equivalents at End of Year	\$ 8,092,182	\$ 2,526,705	\$ 10,618,887

**Reconciliation of Operating Income (Loss) to Net Cash Provided
by (Used For) Operating Activities:**

Operating Income (Loss)	\$ 511,000	\$ 67,468	\$ 578,468
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	259,200	517,398	776,598
Deferred (Outflows)/Inflows of Resources Related to Pensions	16,264	24,319	40,583
Deferred (Outflows)/Inflows of Resources Related to OPEB	(25,439)	(38,052)	(63,491)
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	8,684	24,471	33,155
Increase (Decrease) in Accrued Payroll	(1,304)	(1,956)	(3,260)
Increase (Decrease) in Compensated Absences	(738)	(1,108)	(1,846)
Increase (Decrease) in Due to Other Governments	889,532	-	889,532
Increase (Decrease) in Net OPEB Liability	(13,435)	(19,258)	(32,693)
Increase (Decrease) in Net Pension Liability	(77,475)	(114,671)	(192,146)
Decrease (Increase) in User Charges Receivable	47,096	62,162	109,258
Total Adjustments	1,102,385	453,305	1,555,690
Net Cash Provided by (Used for) Operating Activities	\$ 1,613,385	\$ 520,773	\$ 2,134,158

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 1,425
Investments	4,833,289	187,108
Total Assets	4,833,289	188,533
 NET POSITION:		
Restricted for Other Postemployment Benefits	4,833,289	-
Held in Trust for Other Purposes	-	188,533
Total Net Position	\$ 4,833,289	\$ 188,533

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 1,426,585	\$ -
Investment Income	1,098,190	3,832
Total Additions	<u>2,524,775</u>	<u>3,832</u>
Deductions:		
Human Services	-	16,000
Insurance and Employee Benefits	1,426,585	-
Total Deductions	<u>1,426,585</u>	<u>16,000</u>
Change in Net Position	<u>1,098,190</u>	<u>(12,168)</u>
Net Position at Beginning of Year (as restated)	<u>3,735,099</u>	<u>200,701</u>
Net Position at End of Year	<u>\$ 4,833,289</u>	<u>\$ 188,533</u>

The Notes to the Financial Statements are an integral part of this Statement

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Northborough, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1766 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five-member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2021, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Northborough Housing Authority, the Assabet Valley Regional Vocational Technical School District, and the Northborough-Southborough Regional School District. The Town is indirectly liable for debt and other expenditures of the School Districts and is assessed annually for its share of operating and capital costs. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Northborough Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Assabet Valley Regional Vocational Technical School District – A regional school district made up of ten communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Northborough-Southborough Regional School District – A regional school district made up of ten communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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

Fund financial statements

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

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

Government-wide financial statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

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

The *fire station design and land fund* is used to account for the purchase of land for a new public safety facility.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds*' column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Tax Liens and Taxes in Litigation

Property taxes are based on assessments as of January 1, 2020 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The Town mailed preliminary tax bills for the fiscal year 2021 on June 26, 2020, that were due on August 3, 2020 and November 2, 2020 and actual bills on December 24, 2020 and March 24, 2021, that were due on February 1, 2021 and May 3, 2021.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2021 is as follows;

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2021	\$ 55,450,240
Add: Debt Exclusion	2,196,729
Maximum Allowable Levy	\$ 57,646,969

The total amount raised by taxation was \$54,247,746.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is based on historical trends and specific account analysis.

User Charges

User charges in the governmental funds consist of prior fiscal year sewer that is based on individual meter readings and is subject to penalties and interest if not paid by the respective due date. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

User charges and fees in the business-type funds consist of sewer and water that is levied quarterly based on individual meter readings and is subject to penalties and interest if not paid by the respective due date. Sewer and water liens are processed each year and are included as a lien on the property owner's tax bill. Sewer and water charges and liens are recorded as receivables in the fiscal year of the levy.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Departmental

Departmental receivables consist of sale of bags, licenses, police off-duty details and ambulance fees.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

Special Assessments

Special assessments consist of the sewer and water betterments.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Buildings	40
Buildings improvements	7-20
Machinery, equipment and other	3-10
Infrastructure	30-100

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are *taxes paid in advance, deferred inflows related to pensions and deferred inflows related to OPEB*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental revenue, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Community preservation fund" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

“Other purposes” represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town’s policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

M. Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 70% – 75% share of insurance premiums in the general fund in the fiscal year paid.

O. Use of Estimates

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

P. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- The budgets for all departments are prepared by the department heads and submitted to the Town Manager who presents the budget to the Town's finance committee for review.
- The finance committee, in turn, presents the omnibus budget for voter approval at the Annual Town Meeting of each fiscal year.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

- The Town Manager can also present an alternative budget at the Town Meeting if there is not a finance committee consensus.
- The budget is legally enacted by vote of Town meeting members at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2021, the Town incurred a final budget deficit of \$3,768,652 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 2,770,775
Prior year's encumbrances	<u>997,877</u>
	<u><u>\$ 3,768,652</u></u>

B. Deficit Fund Balances

The following funds have deficits at June 30, 2021 as measured by the balance of unreserved fund balance.

- The Emergency management (Covid-19) grant special revenue funds have deficits totaling of \$498,435. These deficits will be eliminated upon additional receipts or appropriation.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2021 were \$8,609,742. Of these, \$1,157,683 are exposed to custodial credit risk as uninsured and uncollateralized.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

Pension Reserves Investment Trust (PRIT) Fund is a pooled investment fund created under the supervision of the Pension Reserves Investment Management (PRIM) Board. The PRIT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. PRIT's fair value is measured at amortized cost.

As of June 30, 2021, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. treasury obligations	\$ 1,731,072	\$ 750,457	\$ 980,615	\$ -
U. S. government agencies	1,431,769	-	1,183,404	248,365
Corporate bonds	5,217,965	256,007	4,961,958	-
	<u>8,380,806</u>	<u>\$ 1,006,464</u>	<u>\$ 7,125,977</u>	<u>\$ 248,365</u>
Other Investments:				
Certificate of deposits	980,153			
Equity mutual funds	799,964			
Equity securities - domestic (stocks)	656,901			
Money Market Mutual funds	77,179			
PRIM/PRIT	4,833,289			
	<u>\$ 15,728,292</u>			

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$15,728,292 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2021 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 1,731,072
<i>U. S. Government Agencies:</i>	
Aaa	1,126,754
Not rated	305,015
<i>Corporate Bonds:</i>	
A1	749,576
A2	1,407,286
Aa3	393,705
Baa1	1,403,530
Baa2	1,263,868
	\$ 8,380,806

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. The Town does not have more than 5 percent of the Town's investments in one issuer.

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The Town has the following recurring fair value measurements as of June 30, 2021:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 1,731,072	\$ 1,731,072	\$ -	\$ -
U. S. government agencies	1,431,769	1,431,769	-	-
Certificates of deposit	980,153	980,153	-	-
Equity mutual funds	799,964	799,964	-	-
Equity securities - domestic	656,901	656,901	-	-
Money market mutual fund	77,179	77,179	-	-
Corporate bonds	5,217,965	-	5,217,965	-
	10,895,003	\$ 5,677,038	\$ 5,217,965	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (PRIM/PRIT)	4,833,289			
Total Investments	\$ 15,728,292			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2021, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 425,199	\$ (18,547)	\$ 406,652
Tax liens	675,955	-	675,955
Excise taxes	281,283	(44,965)	236,318
Departmental	463,892	(105,979)	357,913
Due from other governments	2,510,342	-	2,510,342
	\$ 4,356,671	\$ (169,491)	\$ 4,187,180

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

At June 30, 2021, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 138,806	\$ (1,000)	\$ 137,806
Sewer unbilled	641,546	-	641,546
Sewer tax liens	3,105	-	3,105
Special assessments	330,699	-	330,699
Water Fund:			
Water user charges	133,865	(1,000)	132,865
Water unbilled	586,964	-	586,964
Water tax liens	5,921	-	5,921
Special assessments	32,690	-	32,690
	\$ 1,873,596	\$ (2,000)	\$ 1,871,596

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The composition of amounts due from other governments as of June 30, 2021 for governmental funds and the business-type activities are as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

Homeless transportation \$ 6,707

Department of Veterans Services:

Veterans benefits 34,004

Department of Revenue:

Veterans, blind and surviving spouses 44,670

Executive Office of Health and Human Services:

Medicaid payments 30,268

Massachusetts Department of Transportation:

Civil motor vehicle infractions (CMVI) 6,376

Other:

Due from various municipalities 470,580 \$ 592,605

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch \$ 47,425

U. S. Department of Education:

School title grants 5,029

U. S. Department of Homeland Security:

Pass Through Commonwealth of Massachusetts:

Massachusetts Emergency Management Agency 4,223

U. S. Department of the Treasury:

Pass Through Commonwealth of Massachusetts:

American rescue plan act 1,467,373

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School Lunch 9,567

Department of Fire Services:

Fire equipment grant 3,435

Executive Office of Environmental Affairs:

Reservior Dam removal design grant 168,750

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 211,935 1,917,737

\$ 2,510,342

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

C. Deferred Inflows of Resources

Taxes Paid in Advance

Governmental funds report deferred inflows of resources in connection with tax revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, these revenues are deferred inflows of resources reported in the governmental funds and are as follows:

General Fund:			
Real Estate taxes	\$	826,235	
Property taxes		29,776	\$ 856,011
Nonmajor Governmental Funds:			
Property taxes			13,221
			\$ 869,232

Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds are as follows:

General Fund:			
Property taxes	\$	201,374	
Tax liens		669,629	
Excise taxes		236,318	
Departmental		2,200	
Due from other governments		489,177	\$ 1,598,698
Nonmajor Governmental Funds:			
Property taxes		3,278	
Tax liens		6,326	
Departmental		321,327	321,327
			\$ 1,920,025

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,168,284	\$ -	\$ -	\$ 8,168,284
Construction in Progress	1,575,864	182,296	(959,068)	799,092
Total capital assets not being depreciated	9,744,148	182,296	(959,068)	8,967,376
Capital assets being depreciated:				
Buildings and Renovations	68,110,696	187,708	-	68,298,404
Machinery, equipment and other	21,326,911	1,117,814	(30,000)	22,414,725
Infrastructure	39,016,436	1,642,692	-	40,659,128
Total capital assets being depreciated	128,454,043	2,948,214	(30,000)	131,372,257
Less accumulated depreciation for:				
Buildings and Renovations	25,470,964	2,255,533	-	27,726,497
Machinery, equipment and other	16,051,131	926,772	(30,000)	16,947,903
Infrastructure	26,524,814	1,429,469	-	27,954,283
Total accumulated depreciation	68,046,909	4,611,774	(30,000)	72,628,683
Total capital assets being depreciated, net	60,407,134	(1,663,560)	-	58,743,574
Total governmental activities capital assets, net	\$ 70,151,282	\$ (1,481,264)	\$ (959,068)	\$ 67,710,950

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,771,038	\$ -	\$ -	\$ 2,771,038
Construction in progress	139,985	587,597	-	727,582
Total capital assets not being depreciated	2,911,023	587,597	-	3,498,620
Capital assets being depreciated:				
Buildings and improvements	7,342,936	-	-	7,342,936
Machinery, equipment and other	3,701,479	79,267	-	3,780,746
Infrastructure	22,850,910	-	-	22,850,910
Total capital assets being depreciated	33,895,325	79,267	-	33,974,592
Less accumulated depreciation for:				
Buildings and improvements	3,582,046	192,153	-	3,774,199
Machinery, equipment and other	2,419,061	254,278	-	2,673,339
Infrastructure	13,107,394	330,166	-	13,437,560
Total accumulated depreciation	19,108,501	776,597	-	19,885,098
Total capital assets being depreciated, net	14,786,824	(697,330)	-	14,089,494
Total business-type activities capital assets, net	\$ 17,697,847	\$ (109,733)	\$ -	\$ 17,588,114

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 167,604
Public safety	403,642
Public works	1,883,234
Education	1,794,338
Health and human services	144,610
Culture and recreation	218,346
Total depreciation expense - governmental activities	<u>\$ 4,611,774</u>

Business-Type Activities:

Sewer fund	\$ 259,200
Water fund	517,397
Total depreciation expense - business-type activities	<u>\$ 776,597</u>

E. Interfund Receivables, Payables and Transfers

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

Transfers Out:	Transfers In:			
	General fund	Major fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 6,548	\$ 1,848,387	\$ 1,854,935
Nonmajor governmental funds	823,417	-	-	823,417
Total transfers out	<u>\$ 823,417</u>	<u>\$ 6,548</u>	<u>\$ 1,848,387</u>	<u>\$ 2,678,352</u>

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2020	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2021
Bond Anticipation Notes:						
Land Acquisition-White Cliffs	1.25%	6/11/2021	\$ 1,294,000	\$ -	\$ 1,294,000	\$ -
Ambulance	1.25%	6/11/2021	315,000	-	315,000	-
Land Acquisition-White Cliffs	1.50%	6/10/2022	-	1,090,000	-	1,090,000
Land Acquisition-Fire Station	1.50%	6/10/2022	-	2,110,000	-	2,110,000
Total Governmental Activities			<u>\$ 1,609,000</u>	<u>\$ 3,200,000</u>	<u>\$ 1,609,000</u>	<u>\$ 3,200,000</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Details related to the short-term debt activity of the business type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2020	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2021
Bond Anticipation Notes:						
Sewer:						
Sewer Inflow and Infiltration	1.25%	6/11/2021	\$ 475,000	\$ -	\$ 475,000	\$ -
West Main St Pump Station	1.25%	6/11/2021	346,000	-	346,000	-
Water:						
Water Tank-Assabet Hill	1.50%	6/10/2022	-	725,000	-	725,000
Total Business-Type Activities			<u>\$ 821,000</u>	<u>\$ 725,000</u>	<u>\$ 821,000</u>	<u>\$ 725,000</u>

G. Long Term Debt

General Obligation Bonds

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

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2021
Inside Debt:					
Land Acquisition-Colburn Street	4.02%	2/15/2003	2/15/2022	\$ 1,055,000	\$ 55,000
Middle Schoof Roof	1.53%	4/15/2013	4/15/2023	267,750	50,000
Recreation Park Improvement	0.30%	5/26/2021	4/1/2023	5,825	5,825
Ambulance	0.30%	5/26/2021	4/1/2023	205,000	205,000
Remodel Highway Garage	0.44%	5/26/2021	4/1/2026	10,050	10,050
Library Construct I	0.44%	5/26/2021	4/1/2026	45,300	45,300
School Roof	0.50%	5/26/2021	4/1/2027	80,075	80,075
Police Station Repairs	0.50%	5/26/2021	4/1/2027	12,650	12,650
Highway Garage	0.50%	5/26/2021	4/1/2027	12,650	12,650
Library Building	0.59%	5/26/2021	4/1/2028	1,107,300	1,107,300
Library Construct II	0.59%	5/26/2021	4/1/2028	465,575	465,575
Church Street Bridge	2.33%	6/14/2018	6/1/2028	819,000	564,000
Senior Center	0.67%	5/26/2021	4/1/2029	1,949,750	1,949,750
Total Inside Debt					<u>4,563,175</u>
Outside Debt:					
Lincoln Street School	2.50%	6/17/2015	6/15/2035	7,390,000	5,170,000
Lincoln Street School	2.27%	1/21/2016	1/15/2036	6,800,000	5,100,000
Enviromental Remediation	0.67%	5/26/2021	4/1/2029	561,750	561,750
Total Outside Debt					<u>10,831,750</u>
Total Bonded Debt					15,394,925
Add: Unamortized premium on bonds					806,678
Total Governmental Type Debt					<u><u>\$ 16,201,603</u></u>

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	\$ 1,570,325	\$ 537,208	\$ 2,107,533
2023	1,477,200	501,155	1,978,355
2024	1,351,400	438,845	1,790,245
2025	1,351,000	393,175	1,744,175
2026	1,355,600	336,425	1,692,025
2027-2031	5,119,400	954,915	6,074,315
2032-2036	3,170,000	318,150	3,488,150
	<u>\$ 15,394,925</u>	<u>\$ 3,479,873</u>	<u>\$ 18,874,798</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2021
Inside Debt:					
Sewer Fund:					
Sewer Project	3.96%	2/15/2003	2/15/2022	\$ 675,000	\$ 30,000
Sewer Project	4.00%	5/15/205	5/15/2025	675,000	120,000
Sewer - Land Acquisition	4.00%	10/15/2006	10/15/2021	627,000	40,000
Sewer - Land Acquisition	5.84%	10/15/2009	10/15/2024	1,550,000	400,000
Hudson Street Pump Station Planning	2.13%	6/14/2018	6/1/2023	93,000	33,000
Sewer Inflow and Infiltration	0.81%	5/26/2021	4/1/2031	353,800	353,800
West Main Street Pump Station	0.80%	5/26/2021	4/1/2031	259,000	259,000
Total Inside Debt					<u>1,235,800</u>
Outside Debt:					
Sewer Fund:					
Sewer Project	3.98%	10/15/2006	10/15/2021	180,000	10,000
Hudson Street Pump Station	2.67%	6/4/2018	6/1/2033	1,363,000	1,078,000
Sewer Construction I	0.67%	5/26/2021	4/1/2029	441,400	441,400
Sewer Construction II	0.67%	5/26/2021	4/1/2029	82,800	82,800
Total Outside Debt					<u>1,612,200</u>
Total Bonded Debt					2,848,000
Add: Unamortized premium on bonds					<u>206,000</u>
Total Sewer Debt					<u>\$ 3,054,000</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2021
Inside Debt:					
Water fund:					
Water/Sewer Garage	0.80%	5/26/2021	4/1/2031	\$ 666,800	\$ 666,800
Total Inside Debt					<u>666,800</u>
Outside Debt:					
Water fund:					
Water Mains	4.01%	2/15/2003	2/15/2022	265,000	15,000
Water Mains	3.85%	5/15/2005	5/15/2025	1,154,000	120,000
Water Treatment Plant	1.52%	4/15/2013	4/15/2023	223,370	40,000
MWRA Meter Project	0.00%	5/15/2017	5/15/2027	986,053	591,632
Water Wells	0.66%	5/26/2021	4/1/2029	260,950	260,950
Water Main Improvement	0.67%	5/26/2021	4/1/2029	75,900	75,900
Water Tank Improvement	0.67%	5/26/2021	4/1/2029	75,900	75,900
Water Wells	0.67%	5/26/2021	4/1/2029	172,525	172,525
Total Outside Debt					<u>1,351,907</u>
Total Bonded Debt					2,018,707
Add: Unamortized premium on bonds					225,925
Total Water Debt					<u>\$ 2,244,632</u>
Total Business-type Debt					<u>\$ 5,298,632</u>

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	\$ 773,280	\$ 185,805	\$ 959,085
2023	651,405	171,870	823,275
2024	617,206	144,030	761,236
2025	612,605	117,150	729,755
2026	453,005	93,650	546,655
2027-2031	1,584,206	212,410	1,796,616
2032-2036	175,000	7,800	182,800
	<u>\$ 4,866,707</u>	<u>\$ 932,715</u>	<u>\$ 5,799,422</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	Balance			Balance	Amounts Due
	July 1, 2020	Additions	Reductions	June 30, 2021	within One
					Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 17,467,000	\$ 4,455,925	\$ 6,528,000	\$ 15,394,925	\$ 1,570,325
Add: Unamortized premium on bonds	-	806,678	-	806,678	173,941
Compensated absences	476,540	115,277	33,442	558,375	362,404
Net OPEB liability	35,862,429	4,827,430	-	40,689,859	-
Net pension liability	29,948,041	332,921	-	30,280,962	-
Governmental activity					
Long-term liabilities	<u>\$ 83,754,010</u>	<u>\$ 10,538,231</u>	<u>\$ 6,561,442</u>	<u>\$ 87,730,799</u>	<u>\$ 2,106,670</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 4,450,089	\$ 2,389,075	\$ 1,972,457	4,866,707	\$ 773,280
Add: Unamortized premium on bonds	-	431,925	-	431,925	80,536
Compensated absences	28,216	-	1,846	26,370	17,712
Net OPEB liability	453,095	-	32,693	420,402	-
Net pension liability	1,028,419	-	192,146	836,273	-
Business-type activity					
Long-term liabilities	<u>\$ 5,959,819</u>	<u>\$ 2,821,000</u>	<u>\$ 2,199,142</u>	<u>\$ 6,581,677</u>	<u>\$ 871,528</u>

Current Refunding – May 26, 2021

On May 26, 2021, the Town issued \$5,360,400 general obligation refunding bonds with an effective interest rate of 0.67 percent. The current refund is Municipal Purpose Loan 2009 in \$3,070,000 of outstanding bonds and the Municipal Purpose Loan 2011 in \$3,150,000 of outstanding bonds with an average interest rate of 2 to 5 percent. As a result, the funded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt. This current refunding was undertaken to refund of facility renovations in governmental type debt and infrastructure improvements in the business-type debt. The current refunding resulted in an economic gain of \$805,888.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2021 totaled \$6,465,775.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The following is a computation of the legal debt limit as of June 30, 2021:

Proposed and Revised Equalized Valuation-Real Estate and Personal Property (2020)		<u>\$ 3,297,006,900</u>
Debt Limit: 5 % of Equalized value		164,850,345
Total Debt Outstanding	\$ 20,261,632	
Less: Debt Outside Debt Limit	<u>(13,795,857)</u>	<u>6,465,775</u>
Inside Debt Excess Borrowing Capacity at June 30, 2021		<u>\$ 158,384,570</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2021 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
4/27/2009	Brigham Street well	\$ 3,776,630
4/25/2011	Middle School green repair	496,679
4/23/2012	Lincoln Street feasibility	15,465
4/21/2014	Lincoln Street School additions	789,632
4/21/2014	Edmund Hill water tank rehabilitation	325,000
4/25/2016	Church Street bridge	100,000
5/1/2021	Supervisory Control and Data Acquisition (SCADA) system	500,000
5/1/2021	Reservoir Dam compliance	50,000
		<u>\$ 6,053,406</u>

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

H. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2021:

	General Fund	Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 743,864	\$ 743,864
Restricted:				
Federal, state and local grants	-	-	369,884	369,884
School grants	-	-	1,330,201	1,330,201
School revolving funds	-	-	197,832	197,832
Revolving funds	-	-	678,267	678,267
Community preservation fund	-	-	2,168,919	2,168,919
Donations and gifts	-	-	112,384	112,384
Reserve for debt	-	-	123,256	123,256
Permanent funds	-	-	311,917	311,917
Capital project funds	-	1,369,711	1,077,466	2,447,177
Other	-	-	1,103,853	1,103,853
	-	1,369,711	7,473,979	8,843,690
Committed:				
Capital project funds	-	-	1,302,818	1,302,818
Fire Emergency Medical Services	-	-	588,135	588,135
Solid waste fund	-	-	395,300	395,300
	-	-	2,286,253	2,286,253
Assigned:				
General government	282,108	-	-	282,108
Public safety	35,320	-	-	35,320
Public works	388,323	-	-	388,323
Education	448,320	-	-	448,320
Health and human services	10,676	-	-	10,676
Culture and recreation	26,747	-	-	26,747
Employee benefits and insurance	52,350	-	-	52,350
Subsequent year's budget	675,000	-	-	675,000
	1,918,844	-	-	1,918,844
Unassigned:				
General fund	10,762,694	-	-	10,762,694
Special revenue funds	-	-	(498,435)	(498,435)
	10,762,694	-	(498,435)	10,264,259
Total Governmental fund balances	\$ 12,681,538	\$ 1,369,711	\$ 10,005,661	\$ 24,056,910

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

I. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2021, the balance in the stabilization funds is \$5,129,896 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Sewage Treatment Litigation

The Town's sewage output is sent to the City of Marlborough's municipal treatment plant (the Plant). The Town has been utilizing the City's Plant under an inter-municipal agreement for many years. This agreement has expired, and the City and the Town are currently in litigation regarding how recent and future sewage treatment will be charged. The City is currently charging the Town as an out of City commercial user, while the Town believes that charges must be based on a methodology like that provided for in the expired inter-municipal agreement. The Town has accrued a liability at June 30, 2021, of approximately \$5,516,111 for a potential resolution of this issue based on the methodology the Town believes will be implemented as a result of the litigation. The City of Marlborough has provided the Town with an invoice that has an outstanding balance due from the Town at June 30, 2021, of approximately \$9,665,696, which the Town believes is significantly overstated based on the past inter-municipal agreement.

B. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

C. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

D. COVID-19

The Covid-19 pandemic in the United States and across the globe has resulted in economic uncertainties. The disruption was expected to be temporary, but there remains considerable uncertainty around the duration and scope. The United States Federal Government and State of Massachusetts established funding through various sources; the Coronavirus Aid, Relief and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) in addition to several other federal and state grants. The extent of the impact of Covid-19 on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the full extent to which Covid-19 may impact our financial condition or results of operations remains uncertain.

E. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

F. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2020. The Town's portion of the collective pension expense contributed by the Commonwealth of \$7,580,725 on-behalf payments for the fiscal year ending June 30, 2021 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2020 was \$2,356,175, representing 20.81% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2021, the Town reported a liability of \$31,117,235 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2020, the Town's proportional percentage was 3.503%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2021, the Town recognized a pension expense of \$3,639,600 and reported deferred outflows of resources related to pensions of \$2,833,759 from the net difference between expected and actual experience, changes in assumptions and change in allocated proportion; and deferred inflows of resources related to pensions of \$2,415,318 from the net difference between expected and actual experience and the net difference between projected and actual investment earnings.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,		
2022	\$	(109,141)
2023		14,936
2024		481,619
2025		82,174
Thereafter:		(51,147)
	\$	418,441

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2020:

Valuation date	January 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Payment increases 4.0% per year.
Asset valuation method	Market value of assets
Inflation	2.20% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Mortality rates	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.38%
Fixed income	23%	1.40%
Private Equity	13%	8.00%
Real Estate	10%	3.80%
Timber/Natural Resources	4%	4.40%
Portfolio Completion Strategies	11%	3.00%
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return, net of pension plan investment expense, was 12.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 38,334,260	\$ 31,117,235	\$ 25,023,620

G. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Plan Description

In addition to providing pension benefits, the Town provides post employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 638 active, retired employees and beneficiaries that meet the eligibility requirements. The plan does not issue a separate financial report.

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2021, investments, concentration and rate of return information consisted of pooled funds in the Pension Reserves Investment Trust (PRIT) Fund created under the supervision of the Pension Reserves Investment Management (PRIM) Board described earlier under Deposits and Investments (refer to note 3A).

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the period ending on the June 30, 2021 Measurement Date, the Town premiums plus implicit costs for the retiree medical program were \$1,426,585. The Town also made a contribution to an OPEB Trust of \$0 for a total contribution during the measurement period of \$1,426,585. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$4,833,289 as of June 30, 2021.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Plan Membership:

Current active members		403
Current retirees, beneficiaries and dependents		235
Total		638

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Net OPEB Liability

The components of the net OPEB liability are as follows:

	6/30/2021
Total OPEB liability	45,943,550
Less: Plan fiduciary net position	(4,833,289)
Town's Net OPEB liability	\$ 41,110,261
 Plan fiduciary net position as a percentage of the total OPEB liability	 10.52%

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2021:

Valuation date	Actuarially determined contribution was calculated as of July 1, 2020
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market value of assets as of the measurement date.
Investment rate of return	6.77% annually, net of OPEB plan investment expense, Including inflation
Single Equivalent Discount rate	6.25%, net of OPEB plan investment expense, Including inflation
Inflation rate	2.50% as of June 30, 2021 and for future periods
Participant salary increases	3.00% as of June 30, 2021 and for future periods
Healthcare cost trend rates	4.50% annually
Mortality rates	
Pre-retirement mortality (General)	RP-2014 Mortality Table for Blue Collar Employees, projected generationally with Scale MP-2016 for males and females, set forward one year for females.
Post-retirement mortality (General)	RP-2014 Mortality Table for Blue Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females.
Disabled mortality (General)	RP-2014 Mortality Table for Blue Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females.
Pre-retirement mortality (Teachers)	RP-2014 Mortality Table for White Collar Employees, projected generationally with Scale MP-2016 for males and females.
Post-retirement mortality (Teachers)	RP-2014 Mortality Table for White Collar Annuitants, projected generationally with Scale MP-2016 for males and females.
Disabled mortality (Teachers)	RP-2014 Mortality Table for White Collar Annuitants, projected generationally with Scale MP-2016 for males and females.

The actuarial assumptions used in the July 1, 2020 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2021 is 2.18%.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 29.40%.

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments is developed based on the Town's investment policy is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity - Large Capital	14.50%	4.90%
Domestic Equity - Small/Mid Capital	3.50%	5.40%
International Equity - Developed Market	16.00%	5.32%
International Equity - Emerging Market	6.00%	6.26%
Domestic Fixed Income	20.00%	1.40%
International Fixed Income	3.00%	1.30%
Alternatives	23.00%	6.32%
Real Estate	14.00%	6.25%
Total	<u>100.00%</u>	
I. Real Rate of Return		4.77%
II. Add: Inflation Assumption		<u>2.50%</u>
III. Total Nominal Return (I. + II.)		7.27%
IV. Less: Investment Expense		<u>0.50%</u>
V. Net investment Return (III.-IV.)		<u>6.77%</u>

* = Mean Geometric Returns based on 2021 Horizon Survey of Capital Market Assumptions.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2020	\$ 40,050,623	\$ 3,735,099	\$ 36,315,524
Service cost	1,302,442	-	1,302,442
Interest on Total OPEB Liability	2,540,661	-	2,540,661
Changes in benefit terms *	-	-	-
Changes in assumptions **	4,038,357	-	4,038,357
Difference between actual and expected experience **	(561,948)	-	(561,948)
Net investment income	-	1,098,190	(1,098,190)
Employer contributions to Trust	-	1,426,585	(1,426,585)
Total benefit payments including implicit cost	(1,426,585)	(1,426,585)	-
Net change in total OPEB liability	5,892,927	1,098,190	4,794,737
Balances at June 30, 2021	\$ 45,943,550	\$ 4,833,289	\$ 41,110,261

* = Recognized immediately

** = Amortized over 7.00 years

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments is applied to the projected benefit payments which the fiduciary net position is expected to be sufficient to cover until Fiscal year 2080 and the Municipal Bond Rate is applied thereafter.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
	Town's net OPEB liability	\$ 45,557,180	\$ 41,110,261

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate:

	1% Decrease (3.50%)	Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Town's net OPEB liability	\$ 34,522,447	\$ 41,110,261	\$ 49,464,976

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$700,463 and reported deferred outflows of resources related to OPEB of \$3,916,092 from changes in assumptions and the net difference between projected and actual investment earnings on OPEB plan investments; and deferred inflows of resources related to OPEB of \$8,761,303 from the differences between actual and expected experience, changes in assumptions and the net difference between projected and actual investment earnings on OPEB plan investments.

The Town's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

For years ended June 30,	
2022	\$ (1,463,189)
2023	(1,444,749)
2024	(1,447,291)
2025	(1,480,532)
2026	493,921
Thereafter:	496,629
	\$ (4,845,211)

H. Implementation of New GASB Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2021

I. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, for implementation in fiscal year 2022.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, for implementation in fiscal year 2021 and 2022.

5. RESTATEMENT

The net position as of June 30, 2020 has been restated. As required by GASB Statement No. 84, the beginning nonmajor governmental fund balance in governmental funds and net position decreased \$171,588 for governmental activities to reflect the changes in the fiduciary activities. Accordingly, the previously reported net position of \$19,163,015 has been revised to \$18,991,427 {\$2,519,884 for governmental activities and \$16,471,543 for business-type activities}.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2021

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

Measurement Date	Town's proportion of the net pension liability (asset)	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Net pension liability percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2020	3.503%	\$ 31,117,235	\$ 11,319,620	274.90%	50.29%
12/31/2019	3.480%	\$ 30,976,459	\$ 11,378,045	272.25%	47.36%
12/31/2018	3.389%	\$ 30,730,253	\$ 10,399,313	295.50%	43.05%
12/31/2017	3.358%	\$ 27,381,868	\$ 10,251,693	267.10%	46.40%
12/31/2016	3.323%	\$ 27,829,488	\$ 10,509,931	264.79%	42.00%
12/31/2015	3.302%	\$ 23,435,617	\$ 9,910,503	236.47%	44.52%
12/31/2014	3.470%	\$ 20,649,958	\$ 9,529,330	216.70%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2021

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

Measurement Date	Actuarially determined contribution	Less: Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions percentage of covered employee payroll
12/31/2020	\$ 2,356,175	\$ (2,356,175)	\$ -	\$ 11,319,620	20.81%
12/31/2019	\$ 2,118,897	\$ (2,118,897)	\$ -	\$ 11,378,045	18.62%
12/31/2018	\$ 1,886,814	\$ (1,886,814)	\$ -	\$ 10,399,313	18.14%
12/31/2017	\$ 1,699,113	\$ (1,699,113)	\$ -	\$ 10,251,693	16.57%
12/31/2016	\$ 1,613,924	\$ (1,613,924)	\$ -	\$ 10,509,931	15.36%
12/31/2015	\$ 1,485,299	\$ (1,485,299)	\$ -	\$ 9,910,503	14.99%
12/31/2014	\$ 1,374,384	\$ (1,374,384)	\$ -	\$ 9,529,330	14.42%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2021

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability					
Service cost	\$ 1,302,442	\$ 1,268,794	\$ 1,142,917	\$ 1,764,785	\$ 1,338,062
Interest on net OPEB liability	2,540,661	2,397,236	2,511,938	2,495,718	2,246,197
Changes in Benefit terms	-	-	668,654	-	-
Changes in Assumptions	4,038,357	489,781	(7,776,371)	-	-
Difference between actual and expected experience	(561,948)	(508,751)	(4,861,321)	5,063,864	-
Benefit payments, including refunds of member contributions	(1,426,585)	(1,346,422)	(1,262,541)	(1,141,137)	(1,063,163)
Net change in total OPEB liability	5,892,927	2,300,638	(9,576,724)	8,183,230	2,521,096
Total OPEB liability-beginning	40,050,623	37,749,985	47,326,709	39,143,474	36,622,378
Total OPEB liability-ending (a)	<u>\$ 45,943,550</u>	<u>\$ 40,050,623</u>	<u>\$ 37,749,985</u>	<u>\$ 47,326,704</u>	<u>\$ 39,143,474</u>
Plan fiduciary net position					
Net investment income	\$ 1,098,190	\$ 71,059	\$ 175,450	\$ 203,867	\$ 183,516
Employer contributions to Trust	1,426,585	1,896,422	1,762,541	1,641,132	1,563,163
Benefit payments, including refunds of member contributions	(1,426,585)	(1,346,422)	(1,262,541)	(1,141,137)	(1,063,163)
Net change in plan fiduciary net position	1,098,190	621,059	675,450	703,862	683,516
Total fiduciary net position-beginning	3,735,099	3,114,040	2,438,590	1,734,723	1,051,207
Total fiduciary net position-ending (b)	<u>\$ 4,833,289</u>	<u>\$ 3,735,099</u>	<u>\$ 3,114,040</u>	<u>\$ 2,438,585</u>	<u>\$ 1,734,723</u>
Town's net OPEB liability (a-b)	<u>\$ 41,110,261</u>	<u>\$ 36,315,524</u>	<u>\$ 34,635,945</u>	<u>\$ 44,888,119</u>	<u>\$ 37,408,751</u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2021

Schedule of Net OPEB Liability:

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	45,943,550	\$ 40,050,623	\$ 37,749,983	\$ 47,326,709	\$ 39,143,474
Less: Plan fiduciary net position	<u>(4,833,289)</u>	<u>(3,735,099)</u>	<u>(3,114,040)</u>	<u>(2,438,590)</u>	<u>(1,734,723)</u>
Town's Net OPEB liability	<u>\$ 41,110,261</u>	<u>\$ 36,315,524</u>	<u>\$ 34,635,943</u>	<u>\$ 44,888,119</u>	<u>\$ 37,408,751</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.52%	9.33%	8.25%	5.15%	4.43%
Town's share of covered employee payroll	\$ 26,315,339	\$ 27,498,288	\$ 26,697,367	\$ 24,956,701	\$ 24,956,700
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	156.22%	132.06%	129.74%	179.86%	149.89%

Schedule of Contributions:

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 3,376,740	\$ 3,818,668	\$ 3,574,860	\$ 4,143,197	\$ 3,775,994
Less: Contributions in relation to the actuarially determined contribution	<u>(1,426,585)</u>	<u>(1,896,422)</u>	<u>(1,762,541)</u>	<u>(1,641,132)</u>	<u>(1,563,163)</u>
Contribution deficiency (excess)	<u>\$ 1,950,155</u>	<u>\$ 1,922,246</u>	<u>\$ 1,812,319</u>	<u>\$ 2,502,065</u>	<u>\$ 2,212,831</u>
Town's share of covered employee payroll	\$ 26,315,339	\$ 27,498,288	\$ 26,697,367	\$ 24,956,701	\$ 24,956,700
Contributions percentage of covered-employee payroll	5.42%	6.90%	6.60%	6.58%	6.26%
Annual money-weighted rate of return net of investment expense	29.40%	1.96%	6.24%	4.07%	10.67%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF NORTHBOROUGH, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2021

Schedule of Funding Progress:

Measurement Date	Other Post Employment Benefits					
	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
6/30/2021	\$ 4,833,289	\$ 45,943,550	\$ 41,110,261	10.52%	\$ 26,315,339	156.22%
6/30/2020	\$ 3,735,099	\$ 40,050,623	\$ 36,315,524	9.33%	\$ 27,498,288	132.06%
6/30/2019	\$ 3,114,040	\$ 37,749,985	\$ 34,635,945	8.25%	\$ 26,697,367	129.74%
6/30/2018	\$ 2,438,590	\$ 47,326,709	\$ 44,888,119	5.15%	\$ 24,956,701	179.86%
6/30/2017	\$ 1,734,723	\$ 39,143,474	\$ 37,408,751	4.43%	\$ 24,956,700	149.89%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Fund Balances July 1, 2020	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2021
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 4,325	\$ 481,554	\$ 481,712	\$ -	\$ 4,167
Arts Lottery Council Grant	8,020	6,941	3,661	-	11,300
Board of Health Grants	28,844	7,896	21,378	-	15,362
Community Compact Grant	40,000	-	-	-	40,000
Council on Aging Grants	-	44,104	41,985	-	2,119
Dam Removal Grant	-	168,750	-	-	168,750
Emergency Management Grants (COVID)	-	611,884	1,097,763	-	(485,879)
Green Communities Grant	45,919	40,327	86,246	-	-
Highway Grants	-	529,251	474,442	-	54,809
Library Grants	21,726	27,847	16,830	-	32,743
Public Safety Grants	8,004	66,451	67,530	(6,381)	544
Recycling Grants	14,030	7,800	3,043	-	18,787
Town Clerk Grant	9,134	6,206	2,426	-	12,914
Schools:					
School Lunch Program	33,689	511,607	496,400	-	48,896
School Lunch Commodities	-	24,869	24,869	-	-
School Revolving Funds	173,802	4,574	29,441	-	148,935
State Special Education Reimbursement	1,181,327	1,326,035	1,181,327	-	1,326,035
Other:					
Amazon Traffic Mitigation	-	80,000	12,041	-	67,959
Cable Access Television	504,212	214,577	-	(262,510)	456,279
Community Affairs Revolving	7,551	400	290	-	7,661
Community Preservation Fund	1,468,780	881,836	396,846	215,149	2,168,919
Conservation Revolving	25,315	9,721	-	(5,678)	29,358
Council on Aging Revolving	181,490	21,091	20,519	-	182,062
Special Revenue Funds Page 73	\$ 3,756,168	\$ 5,073,721	\$ 4,458,749	\$ (59,420)	\$ 4,311,720

TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Fund Balances July 1, 2020	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2021
Continued from Page 73	\$ 3,756,168	\$ 5,073,721	\$ 4,458,749	\$ (59,420)	\$ 4,311,720
Other (continued):					
Council on Aging WRTA Program	57,691	109,307	47,198	-	119,800
Deputy Collector Fees	756	29,506	29,203	-	1,059
Dog Control Revolving	43,559	25,855	279	(31,791)	37,344
Family Youth Services Revolving	3,648	650	45	-	4,253
Fire Emergency Medical Services	546,595	922,372	538,003	(342,829)	588,135
Gifts and Donations	296,557	25,388	121,555	(88,006)	112,384
Insurance Reimbursements	80,004	10,943	7,256	-	83,691
Medicare Part D Subsidy	48,153	39,039	-	(48,152)	39,040
Parks and Recreation Revolving	-	395,739	127,575	-	268,164
Planning Board Revolving	-	28,710	28,500	-	210
Police Drug Task Force	1,059	14	-	-	1,073
Premium on Sale of Bonds	113,665	-	135,553	145,144	123,256
Public Safety Outside Detail Funds	28,077	275,703	275,794	-	27,986
Sale of Cemetery Lots	17,250	15,250	-	(5,250)	27,250
Sale of Land (Reserved)	12,435	-	-	-	12,435
Solid Waste Funds	267,274	679,018	860,493	337,160	422,959
Tax Title Registry of Deeds Fee	280	930	630	-	580
Transportation Network Surcharge	6,486	1,764	-	(2,899)	5,351
Conservation Funds	362,352	10,243	10,800	-	361,795
Elderly Funds	49,959	22,465	24,978	-	47,446
Scholarship Funds	797	527	-	-	1,324
Total Special Revenue Funds	\$ 5,692,765	\$ 7,667,144	\$ 6,666,611	\$ (96,043)	\$ 6,597,255

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Fund Balances July 1, 2020	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2021
Capital Projects:					
Assabet Park improvements	\$ -	\$ -	\$ -	\$ 102,775	\$ 102,775
Fire Department ambulance	(306,012)	-	-	306,012	-
Fire Department vehicles	-	-	-	156,000	156,000
Highway equipment	9,444	-	8,715	-	729
Highway generator	-	-	-	35,000	35,000
Highway vehicles	281,137	-	263,241	189,000	206,896
Highway mower	-	-	75,000	75,000	-
K-8 Communications/Security	14,342	-	-	(14,342)	-
Management Information System (MIS) network	26,741	-	-	-	26,741
Master Plan	654	-	654	-	-
Middle School driveway improvements	-	-	50,000	50,000	-
Middle School green repairs	102,533	-	-	-	102,533
MIS/GIS Aerial Photo	122,979	-	8,151	-	114,828
Police vehicles	538	-	-	(538)	-
Police vehicles	-	-	39,000	200,000	161,000
Road maintenance	312,851	-	312,851	-	-
Road maintenance	-	-	50,956	610,000	559,044
Senior Center construction	50,000	-	-	-	50,000
Town Hall feasibility study	-	-	-	100,000	100,000
Town Offices' improvements	767,738	-	3,000	-	764,738
Total Capital Projects Fund	\$ 1,382,945	\$ -	\$ 811,568	\$ 1,808,907	\$ 2,380,284

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Fund Balances July 1, 2020	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2021
Perpetual Permanent Funds:					
Assabet Park Funds	\$ 7,959	\$ -	\$ -	\$ -	\$ 7,959
Cemetery Funds	577,715	-	-	35,000	612,715
Library Fund	81,509	-	-	-	81,509
Miscellaneous Funds	14,022	-	-	-	14,022
Total Perpetual Permanent Funds	681,205	-	-	35,000	716,205
Permanent Funds:					
Assabet Park Funds	2,168	136	-	-	2,304
Cemetery Funds	43,321	29,591	-	(39,161)	33,751
Library Fund	257,806	29,317	24,635	-	262,488
Miscellaneous Funds	13,009	365	-	-	13,374
Total Permanent Funds	316,304	59,409	24,635	(39,161)	311,917
Total - Non-Major Governmental Funds	\$ 8,073,219	\$ 7,726,553	\$ 7,502,814	\$ 1,708,703	\$ 10,005,661

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY
ROLLBACK AND DEFERRED PROPERTY TAXES
JULY 1, 2020 TO JUNE 30, 2021**

	Uncollected Taxes July 1, 2020	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2021	Uncollected Taxes Per Detail June 30, 2021
Real Estate Taxes:						
Levy of 2021	\$ -	\$ 52,465,498	\$ 322,242	\$ 51,802,761	\$ 340,495	\$ 340,495
Levy of 2020	815,798	-	161,917	642,244	11,637	11,637
Levy of 2019	3,800	-	-	2,182	1,618	1,618
	<u>819,598</u>	<u>52,465,498</u>	<u>484,159</u>	<u>52,447,187</u>	<u>353,750</u>	<u>353,750</u>
Personal Property Taxes:						
Levy of 2021	-	1,778,210	1,127	1,754,528	22,555	22,555
Levy of 2020	36,448	-	2,715	22,837	10,896	10,896
Levy of 2019	13,104	-	3,851	2,578	6,675	6,675
Levy of 2018	14,312	-	7,176	240	6,896	6,896
Levy of 2017	11,753	-	4,654	132	6,967	6,967
Prior Years	7,722	-	228	947	6,547	6,547
	<u>83,339</u>	<u>1,778,210</u>	<u>19,751</u>	<u>1,781,262</u>	<u>60,536</u>	<u>60,536</u>
Rollback Taxes	-	15,144	-	15,144	-	-
Deferred Property Taxes	3,597	4,038	-	-	7,635	7,635
Total Real Estate, Personal Property, Rollback and Deferred Property Taxes	<u>\$ 906,534</u>	<u>\$ 54,262,890</u>	<u>\$ 503,910</u>	<u>\$ 54,243,593</u>	<u>\$ 421,921</u>	<u>\$ 421,921</u>

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
 SCHEDULE OF COMMUNITY PRESERVATION SURCHARGE
 JULY 1, 2020 TO JUNE 30, 2021**

	Uncollected Taxes July 1, 2020	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2021	Uncollected Taxes Per Detail June 30, 2021
Non-Major Governmental Funds:						
Community Preservation Surcharge:						
Levy of 2021	\$ -	\$ 655,178	\$ 7,082	\$ 644,845	\$ 3,251	\$ 3,251
Levy of 2020	9,110	-	1,618	7,465	27	27
Total Community Preservation Surcharge	\$ 9,110	\$ 655,178	\$ 8,700	\$ 652,310	\$ 3,278	\$ 3,278

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2020 TO JUNE 30, 2021**

	Uncollected Taxes July 1, 2020	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2021	Uncollected Taxes Per Detail June 30, 2021
Motor Vehicle Excise Taxes:						
Levy of 2021	\$ -	\$ 2,403,678	\$ 47,106	\$ 2,166,936	\$ 189,636	\$ 189,636
Levy of 2020	204,186	216,475	25,926	359,083	35,652	35,652
Levy of 2019	40,248	388	512	24,777	15,347	15,347
Levy of 2018	16,741	-	118	4,733	11,890	11,890
Levy of 2017	7,297	-	-	303	6,994	6,994
Prior Years	22,228	-	-	464	21,764	21,764
Total Motor Vehicle Excise Taxes	\$ 290,700	\$ 2,620,541	\$ 73,662	\$ 2,556,296	\$ 281,283	\$ 281,283

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2020 TO JUNE 30, 2021**

	Uncollected Accounts July 1, 2020	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2021	Uncollected Accounts Per Detail June 30, 2021
Tax Liens	\$ 421,106	\$ 357,299	\$ 314	\$ 108,462	\$ 669,629	\$ 669,629
Non-Major Governmental Funds: Community Preservation Liens	\$ 4,061	\$ 3,377	\$ -	\$ 1,112	\$ 6,326	\$ 6,326

TOWN OF NORTHBOROUGH, MASSACHUSETTS

**INDEPENDENT AUDITOR'S REPORTS PURSUANT
TO GOVERNMENTAL AUDITING STANDARDS
AND UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF NORTHBOROUGH, MASSACHUSETTS

**Independent Auditor's Reports Pursuant
To Governmental Auditing Standards
And Uniform Guidance**

For the Year Ended June 30, 2021

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

To the Honorable Board of Selectmen
Town of Northborough, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Northborough, Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Northborough, Massachusetts' basic financial statements, and have issued our report thereon dated April 22, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Northborough, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

April 22, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Selectmen
Town of Northborough, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Northborough, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Northborough, Massachusetts' major federal programs for the year ended June 30, 2021. The Town of Northborough, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Northborough, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Northborough, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Northborough, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Northborough, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town of Northborough, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In

planning and performing our audit of compliance, we considered the Town of Northborough, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Northborough, Massachusetts' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We 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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Northborough, Massachusetts' basic financial statements. We issued our report thereon dated April 22, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts
April 22, 2022

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Agriculture				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Child Nutrition Cluster:				
School Breakfast Program - COVID-19	10.553	14-213	\$ -	\$ 3,993
National School Lunch Program - COVID-19	10.555	14-213	-	482,312
Non-Cash Financial Assistance - Commodities	10.555	14-213	-	24,870
Total Child Nutrition Cluster			-	511,175
Total U. S. Department of Agriculture			-	511,175
U. S. Department of Justice				
Direct Program:				
Bulletproof Vest Partnership Program	16.607		-	1,083
Total U. S. Department of Justice			-	1,083
U. S. Department of Transportation				
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Security:				
State and Community Highway Safety - 2020	20.600		-	2,096
State and Community Highway Safety - 2021	20.600		-	1,089
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Hazardous Materials Emergency Planning	20.703		-	4,223
Total U. S. Department of Transportation			-	7,408
U. S. Department of Treasury				
Coronavirus Relief Fund:				
Passed Through Commonwealth of Massachusetts				
Department of Revenue:				
Coronavirus Relief Fund Municipal Aid	21.019		-	641,642
Passed Through Commonwealth of Massachusetts				
Office of the Secretary of the Commonwealth:				
CvRF CARES Act Elections Reimbursements	21.019		-	4,991
CvRF CARES Act Election Ballot Box	21.019		-	-
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
CvRF School Reopening - 2021	21.019	102-403885-2021-0213	-	346,050
CvRF Remote Learning Technology Essentials - 2021	21.019	118-403391-2021-0213	-	3,737
CvRF School Nutrition - 2021	21.019	CSN	-	2,569
Total Coronavirus Relief Fund			-	998,989
Total U. S. Department of Treasury			-	998,989
TOTAL PAGE 1 OF 2			\$ -	\$ 1,518,655

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Education				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Special Education Cluster:				
Special Education Early Childhood Allocation - 2020	84.173	262-292046-2020-0213	\$ -	\$ 10,354
Special Education Early Childhood Allocation - 2021	84.173	262-400778-2021-0213	-	28,666
Early Childhood Learning Together - 2021	84.173	298-485576-2021-0213	-	1,938
Total Special Education Cluster			-	40,958
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief I - 2021	84.425D	113-397380-2021-0213	-	8,463
Total Student Support and Academic Enrichment Program			-	8,463
Total U. S. Department of Education			-	49,421
U. S. Department of Health and Human Services				
Direct Program:				
COVID-19 Provider Relief Fund	93.498		-	13,479
Passed Through Commonwealth of Massachusetts				
Department of Public Health:				
Mass in Motion	93.757		-	1,387
Passed Through Bay Path Elder Services, Inc.:				
Senior Isolation	93.044		-	7,529
Title III Transportation	93.044		-	2,625
Total U. S. Department of Health and Human Services			-	25,020
U. S. Department of Homeland Security				
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Emergency Management Performance Grants	97.042		-	4,519
Passed Through City of Worcester, Massachusetts:				
Homeland Security Public Health	97.067		-	629
Total U. S. Department of Homeland Security			-	5,148
TOTAL PAGE 2 OF 2			-	79,589
TOTAL PAGE 1 OF 2			-	1,518,655
TOTAL PAGE FEDERAL AWARDS EXPENDED			\$ -	\$ 1,598,244

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Northborough, Massachusetts, under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Northborough, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Northborough, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

The Town of Northborough, Massachusetts, did not use the de minimis cost rate. The Town of Northborough, Massachusetts, has not charged any indirect costs to any of its federal award programs.

NOTE D – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**TOWN OF NORTHBOROUGH, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? _____Yes X None Reported

Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? _____Yes X None Reported

Type of Auditor’s Report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____Yes X No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	U. S. Department of Treasury – Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – PRIOR YEAR FINDINGS

None reported.

TO: Northborough Board of Selectmen (*By Electronic Mail Only*)

FROM: William Hewig III

RE: **EXECUTIVE SUMMARY OF VERIZON RENEWAL LICENSES**

DATE: July 15, 2022

- (1) Sec. 1.16, Gross Revenues: - Includes within the definition of Gross Revenues advertising and home shopping revenues.
- (2) Sec. 2.3, Term: - 5 years; this has been the most Verizon has been willing to agree to since around 2019. The maximum for a renewal license under Massachusetts law is 10 years (MGL c. 166A s. 13).
- (3) Sec. 2.4, Unilateral Termination: - Verizon claims the right to terminate the license after 30 months, and then following 180 days' written notice (i.e., 36 months total). This, also, has been a non-negotiable feature of Verizon licenses for about 3 years.
- (4) Sec. 2.5, Level Playing Field: - If Northborough grants a cable license to another cable provider, that "can be reasonably demonstrated to materially adversely affect Verizon's competitive position", Verizon may initiate procedures to modify the license to cure the disparity. This section does not, however, include access support funding under sections 5.3 and 5.4.
- (5) Sec. 3.1, Service Area: - Verizon's service area will cover all residential households subject to density requirements of 20 homes per aerial mile and 40 homes per underground mile, with a 150' setback. These have been standard provisions in Verizon renewal licenses for years.
- (6) Sec. 4.1.3, FCC Technical Standards: - Verizon must construct and maintain its system in compliance with FCC technical standards.
- (7) Article 5, PEG Access Support:-
 - (a) Sub. 5.1.1, PEG Channels: - Verizon will provide 3 SD PEG channels and 1 HD channel, for total of 4 PEG channels.
 - (b) Sub. 5.1.2, Written Request for HD Channel: - The town must request an HD channel in writing, specifying whether the programming for the channel will be simulcast from an existing PEG channel (such as "G"), or distinct programming. Verizon will deliver the HD channel within 270 days of its receipt of the written request.

-
- (c) Sub. 5.3.1, PEG Capital Grant: - Verizon will pay to the town a PEG capital grant totaling \$115,000, payable in three equal instalments of \$38,333.34, due on day 45, anniversary year 1 and anniversary year 3.
 - (d) Sub. 5.4.1, PEG Operating Grant: - Verizon will pay to the town an annual PEG operating grant of 4% of its annual Gross Revenue, with an accelerator clause stating that if the town gets a higher percentage from the other operator (Charter/Spectrum), Verizon will match it.
 - (8) Sec. 6.1, Annual License Fee: - Verizon will pay to the town, in March of each year, an annual "License Fee" of \$.50 per subscriber. (MGL c. 166A s. 9).
 - (9) Sec. 7.1, Compliance with FCC Customer Service Standards: - Verizon will be bound by FCC Customer Service Standards (47 CFR s. 76.309 (c); 47 CFR s. 76.1602; 47 CFR s. 76.1603), and Massachusetts Billing and Business Standards (207 CMR s. 10.00 et seq.).
 - (10) Sec. 9.1, Insurance: - Verizon will carry CGL coverage of \$ 6M per occurrence for property damage or bodily injury and \$6M general aggregate; Automobile Liability Insurance of \$ 6M and Workers' Comp in the amount of \$100K.
 - (11) Sec. 9.2, Indemnification: - Verizon will defend, indemnify and hold harmless the town from and against any claim of injury or damage caused or resulting from the installation, operation or maintenance of its system, following written notice of such claim.
 - (12) Sec. 9.3, Performance Bond: - Verizon will maintain a performance bond in the amount of \$50,000 to secure performance of its obligations under the license.
 - (13) Article 13, Enforcement: - In the event that the town believes that Verizon is in default of one or more of the terms of the license, the Board is to give Verizon written notice and opportunity to cure, concluding in a public hearing. If following the hearing the default is not cured, or the subject of corrective action to the satisfaction of the Board, the Board may elect to seek legal or equitable remedies in court, submit a claim against the performance bond, or in the case of substantial non-compliance, revoke the license.

I have reviewed the Verizon renewal license. It represents the product of good faith negotiations between the parties, and in my opinion reasonably meets the town's future community cable-related needs as established during our period of ascertainment. As such, I recommend it for your approval and execution.

#822373/21500/0126

**CABLE TELEVISION
RENEWAL LICENSE**

**GRANTED TO
VERIZON NEW ENGLAND INC.**

JULY 18, 2022

**BOARD OF SELECTMEN
TOWN OF NORTHBOROUGH,
MASSACHUSETTS**

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EXHIBITS

EXHIBIT A -- MUNICIPAL AND SCHOOL BUILDINGS TO BE PROVIDED CABLE SERVICE SUBJECT TO SECTION 3.3

EXHIBIT B – FORM OF PERFORMANCE BOND

THIS CABLE TELEVISION RENEWAL LICENSE (“License” or “Agreement”) is entered into by and between the Board of Selectmen of the Town of Northborough, as Issuing Authority for the grant of the cable television license pursuant to the Massachusetts Cable Law, and Verizon New England Inc., a corporation duly organized under the applicable laws of the State of New York (the “Licensee”).

WHEREAS, the Issuing Authority is a “franchising authority” in accordance with Title VI (as hereinafter defined) (see 47 U.S.C. § 522(10)) and is authorized to grant one or more nonexclusive cable licenses pursuant to the Massachusetts Cable Law;

WHEREAS, the Issuing Authority granted to Licensee effective as of July 21, 2008, a nonexclusive Final License to install, maintain, extend, and operate a Cable System in the Town for a term of ten (10) years (the “Final License”);

WHEREAS, the Licensee has operated a Cable System in accordance with the Final License as of the effective date on its existing Telecommunications Facilities consisting of a Fiber to the Premises Telecommunications Network (“FTTP Network”) in the Town which also transmits Non-Cable Services pursuant to authority granted by M.G.L. c. 166 and Title II, which Non-Cable Services are not subject to the Massachusetts Cable Law or Title VI;

WHEREAS, pursuant to and in accordance with applicable federal and State law, the Issuing Authority undertook a process to determine whether it should renew the Final License and the terms for such a renewal;

WHEREAS, the Issuing Authority has examined the past performance of Licensee and has determined that Licensee is and has been in material compliance with the Final License and applicable law;

WHEREAS, pursuant to and in accordance with applicable federal and State law, the Licensee submitted to the Issuing Authority a proposal to renew the Final License to operate a Cable System in the Town; and

WHEREAS, following good faith negotiations between the parties, the Issuing Authority and Licensee have agreed on the terms for a renewal License under which Licensee will continue to operate its Cable System in the Town.

NOW, THEREFORE, in consideration of the Issuing Authority’s grant of a renewal license to Licensee, Licensee’s promise to continue providing Cable Service to residents of the Town pursuant to the terms and conditions set forth herein, and for other good and valuable consideration, the receipt and the adequacy of which are hereby acknowledged,

THE SIGNATORIES DO HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

Except as otherwise provided herein, the definitions and word usages set forth in the Communications Act are incorporated herein and shall apply in this License. In addition, the following definitions shall apply:

1.1. *Access Channel*: A video Channel which the Licensee shall make available to the Town and/or its PEG Access Designee without charge for non-commercial public, educational, or governmental use for the transmission of Video Programming as directed by the Issuing Authority or its PEG Access Designee in accordance with 47 U.S.C. § 531 and the terms of this License.

1.2. *Affiliate*: Any Person who, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, the Licensee.

1.3. *Basic Service*: Any service tier which includes the retransmission of local television broadcast signals as well as the PEG Access Channels required by this License.

1.4. *Cable Division*: The Cable Television Division of the Massachusetts Department of Telecommunications and Cable.

1.5. *Cable Service or Cable Services*: Shall be defined herein as it is defined under Section 602(6) of the Communications Act, 47 U.S.C. § 522(6).

1.6. *Cable System or System*: Shall be defined herein as it is defined under Section 602(7) of the Communications Act, 47 U.S.C. § 522(7), meaning a facility, consisting of a set of closed transmission paths and associated signal generation, reception, and control equipment that is designed to provide cable service which includes video programming and which is provided to multiple Subscribers within the Town, but such term does not include (A) a facility that serves only to retransmit the television signals of one or more television broadcast stations; (B) a facility that serves subscribers without using any public right-of-way; (C) a facility of a common carrier which is subject, in whole or in part, to the provisions of Title II of the Communications Act, except that such facility shall be considered a cable system (other than for purposes of Section 621(c) of the Communications Act) to the extent such facility is used in the transmission of video programming directly to subscribers unless the extent of such use is solely to provide interactive on-demand services; (D) an open video system that complies with Section 653 of the Communications Act; or (E) any facilities of any electric utility used solely for operating its electric utility systems.

1.7. *Channel*: Shall be defined herein as it is defined under Section 602(4) of the Communications Act, 47 U.S.C. § 522(4).

1.8. *CMR*: The Code of Massachusetts Regulations.

1.9. *Communications Act*: The Communications Act of 1934, as amended.

1.10. *Control*: The ability to exercise de facto or de jure control over day-to-day policies and operations or the management of Licensee's affairs.

1.11. *Educational Access Channel*: An Access Channel available for the non-commercial use of the local public schools in the Town and/or the PEG Access Designee, in accordance with 47 U.S.C. § 531 and the terms of this License.

1.12. *FCC*: The United States Federal Communications Commission, or successor governmental entity thereto.

1.13. *Force Majeure*: An event or events reasonably beyond the ability of a party to anticipate and control. This includes, but is not limited to, severe or unusual weather conditions, strikes, labor disturbances, lockouts, war or act of war (whether an actual declaration of war is made or not), insurrection, riots, act of public enemy, epidemics, accidents for which a party is not primarily responsible, fire, flood, or other acts of God, or with respect to Licensee's obligations hereunder, actions or inactions of any government instrumentality or public utility including condemnation, work delays caused by waiting for utility providers to service or monitor utility poles to which Licensee's FTTP Network is attached, and unavailability of materials and/or qualified labor to perform the work necessary.

1.14. *FTTP Network*: Shall have the meaning set forth in the recitals of this License.

1.15. *Government Access Channel*: An Access Channel available for the non-commercial use of the Issuing Authority and/or the PEG Access Designee, in accordance with 47 U.S.C. § 531 and the terms of this License.

1.16. *Gross Revenues*: All revenue, as determined in accordance with generally accepted accounting principles, which is derived by Licensee and/or its Affiliates from the operation of the Cable System to provide Cable Service in the Town, including, without limitation, the following items: subscriber fees, charges and payments collected from Subscribers for Cable Services (including, but not limited to, basic and premium Cable Services and pay-per-view Cable Service); installation, reconnection, change of service and similar charges; revenues received from rentals or sales to Subscribers of converters, remote controls and other Subscriber equipment used to provide Cable Service over the Cable System; additional outlet fees; fees from third parties for leased access programming; revenues that Licensee receives from home shopping channels for the use of the Cable System to sell merchandise as prorated to include such revenue attributable to the Cable System in the Town based on the number of Subscribers; advertising revenues (after deducting sales commissions) as prorated to include such revenue attributable to the Cable System in the Town based on the number of Subscribers; and except as provided below, all fees imposed on Licensee by this License and applicable law that are passed through and paid by Subscribers and which are included in gross revenues of other cable operator(s) in the Town (including the License Fee and PEG Access Support). For the avoidance of doubt, Gross Revenue shall include the amount of Licensee's gross advertising revenue (i.e., without netting advertising commissions paid to third parties), calculated in accordance with generally accepted accounting principles.

Gross Revenue shall not include:

1.16.1. Revenues received by any Affiliate in exchange for supplying goods or services used by Licensee to provide Cable Service over the Cable System, except to the extent that such revenues are derived from the operation of the Cable System to provide Cable Service in the Town;

1.16.2. Bad debts written off by Licensee in the normal course of its business, provided, however, that bad debt recoveries shall be included in Gross Revenue during the period collected;

1.16.3. Refunds, rebates or discounts made to Subscribers or other third parties;

1.16.4. Any revenues classified as Non-Cable Services revenue under federal or State law including, without limitation, revenues received from Telecommunications Services; revenues received from Information Services, including, without limitation, Internet Access Service, electronic mail service, electronic bulletin board service, or similar online computer services;

1.16.5. Any revenues of the Licensee or any other Person which is received directly from the sale of merchandise through any Cable Service distributed over the Cable System, not including that portion of such revenue which represents or can be attributed to a Subscriber fee or a payment for the use of the Cable System for the sale of such merchandise, which portion shall be included in Gross Revenue;

1.16.6. Revenues from the sale of Cable Services on the Cable System to a reseller, when the reseller is required to pay (and does pay) cable license fees to the Town on the resale of the Cable Services;

1.16.7. The sale of Cable Services to customers which are exempt from being charged for Cable Service pursuant to the Massachusetts Cable Law, including, without limitation, the provision of Cable Services to public institutions pursuant to the Massachusetts Cable Law or as required or permitted herein;

1.16.8. Any tax of general applicability imposed by a Town, State, federal or any other governmental entity and required to be collected from Subscribers by Licensee and remitted to the taxing entity (including, but not limited to, taxes in the nature of a sales/use tax, communication taxes and non-cable license fees);

1.16.9. Any foregone revenues which Licensee chooses not to receive in exchange for its provision of free or reduced cost cable or other communications services to any Person, including without limitation, employees of Licensee and public institutions or other institutions designated in this License; provided, however, that such foregone revenue which Licensee chooses not to receive in exchange for trades, barter, services or other items of value shall be included in Gross Revenue;

1.16.10. Revenues from the sales of capital assets or sales of surplus equipment (provided that this exclusion shall not include sales to Subscribers of converters, remote controls and other Subscriber equipment for the provision of Cable Service over the Cable System);

1.16.11. Program launch fees;

1.16.12. Directory or Internet advertising revenue including, but not limited to, yellow page, white page, banner advertisement and electronic publishing; and

1.16.13. Any fees or charges collected from Subscribers or other third parties for the PEG Grant, except to the extent that the Town provides the Licensee evidence that the other cable provider(s) in the Town include such fees or charges in their respective gross revenue calculations.

1.17. *High Definition (HD) PEG Access Channel:* A PEG Access Channel in the high definition display format for digital television transmissions with video transmitted in a 16:9 aspect ratio with a resolution of 720p or 1080i.

1.18. *Information Services:* Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. § 153(24).

1.19. *Internet Access Service:* Dial-up or broadband access service that enables Subscribers to access the Internet.

1.20. *Issuing Authority:* The Board of Selectmen of the Town of Northborough.

1.21. *License Fee:* The payments to be made by the Licensee to the Town, which shall have the meaning as set forth in Section 9 of the Massachusetts Cable Law.

1.22. *Licensee:* Verizon New England Inc., and its lawful and permitted successors, assigns and transferees.

1.23. *Massachusetts Cable Law:* Chapter 166A of the General Laws of the Commonwealth of Massachusetts and the regulations thereunder.

1.24. *Non-Cable Services:* Any service that does not constitute the provision of Cable Services, including, but not limited to, Information Services and Telecommunications Services.

1.25. *PEG: Public, educational, and governmental.*

1.26. *PEG Access Channel:* An Access Channel made available to the Town and/or the PEG Access Designee for PEG Access Programming pursuant to the terms of this License and managed by the Issuing Authority and/or its PEG Access Designee(s).

1.27. *PEG Access Designee:* Any entity designated by the Issuing Authority for

the purpose of owning and/or operating the equipment and facilities used in the production and/or broadcast of PEG Access Channel programming for the Issuing Authority, including, but not limited to, any Access Corporation.

1.28. *PEG Access Programming*: Non-commercial Video Programming transmitted on the PEG Access Channel(s) pursuant to the terms of this License, and applicable laws.

1.29. *Person*: An individual, partnership, association, joint stock company, trust, corporation, or governmental entity.

1.30. *Prime Rate*: The prime rate of interest as published in the Wall Street Journal.

1.31. *Public Access Channel*: An Access Channel available for the non-commercial use by the residents in the Town and/or the PEG Access Designee.

1.32. *Public Rights-of-Way*: The surface and the area across, in, over, along, upon and below the surface of the public streets, roads, bridges, sidewalks, lanes, courts, ways, alleys, and boulevards, including compatible public utility easements or any other easements or rights of way dedicated for compatible uses, and public lands and waterways used as Public Rights-of-Way, as the same now or may thereafter exist, which are under the jurisdiction or control of the Town. Public Rights-of-Way do not include the airwaves above a right-of-way with regard to cellular or other non-wire communications or broadcast services. Reference herein to a “Public Rights-of-Way” shall not be construed to be a representation or guarantee by the Town that its property rights are sufficient to permit its use for any purpose, or that the Licensee shall gain or be permitted to exercise any rights to use property in the Town greater than those already possessed by the Town.

1.33. *Service Area*: The entire existing territorial limits of the Town.

1.34. *Standard Definition (“SD”) PEG Access Channel*: A PEG Access Channel in the standard definition display format for digital television transmissions with video transmitted in a 4:3 aspect ratio with a resolution of 480i.

1.35. *State*: The Commonwealth of Massachusetts.

1.36. *Subscriber*: A Person who lawfully receives Cable Service over the Cable System with the Licensee’s express permission.

1.37. *Telecommunications Facilities*: The Licensee’s existing Telecommunications Services and Information Services facilities, including the FTTP Network.

1.38. *Telecommunication Services*: Shall be defined herein as it is defined under Section 3 of the Communications Act, 47 U.S.C. § 153(53).

1.39. *Title II*: Title II of the Communications Act.

1.40. Title VI: Title VI of the Communications Act.

1.41. *Town*: The Town of Northborough.

1.42. *Transfer of this License*:

1.42.1. Any transaction in which:

1.42.1.1 an ownership or other interest in Licensee is transferred, directly or indirectly, from one Person or group of Persons to another Person or group of Persons, so that Control of Licensee is transferred; or

1.42.1.2. the rights held by Licensee under this License are transferred or assigned to another Person or group of Persons.

1.42.2. However, notwithstanding Sections 1.42.1.1 and 1.42.1.2 above, a Transfer of this License shall not include transfer of an ownership or other interest in Licensee to the parent of Licensee or to another Affiliate of Licensee; transfer of an interest in this License or the rights held by the Licensee under the License to the parent of Licensee or to another Affiliate of Licensee; any action which is the result of a merger of the parent of the Licensee; or any action which is the result of a merger of another Affiliate of the Licensee, except to the extent that any of the foregoing are determined to be a transfer of control pursuant to 207 CMR 4.01, in which case such transaction shall be subject to the Cable Division's transfer regulations (207 CMR 4.00 et. seq.).

1.43. *Video Programming*: Shall be defined herein as it is defined under Section 602(20) of the Communications Act, 47 U.S.C. § 522(20).

1.44. *Video Service Provider or VSP*: Any entity using any portion of the Public Rights-of-Way to provide Video Programming services to multiple subscribers within the territorial boundaries of the Town, for purchase, barter, or free of charge, regardless of the transmission method, facilities or technologies used. A VSP shall include, but is not limited to, any entity that provides Cable Services, multi-channel multipoint distribution services, broadcast satellite services, satellite delivered services, wireless services, and internet-protocol based services within the territorial boundaries of the Town.

2. GRANT OF AUTHORITY; LIMITS AND RESERVATIONS

2.1. *Grant of Authority*: Subject to the terms and conditions of this License and the Massachusetts Cable Law, the Issuing Authority hereby grants the Licensee the right to own, operate and maintain a Cable System in, over and along the Public Rights-of-Way within the Town and subsequent additions thereto, in order to provide Cable Service. No privilege or power of eminent domain is bestowed by this grant; nor is such a privilege or power bestowed by this Agreement. This License grants no authority for the Licensee to use the Public-Rights-of-Way within the Town for any purpose other than as provided herein. However, nothing in this License shall be construed to prohibit or limit the Licensee from offering any service over the Cable System

that is not prohibited by federal or State law provided that any requirements for Town authorization or permitting not inconsistent with federal and State law are satisfied. The Licensee's FTTP Network in the Public Rights-of-Way is subject to M.G.L. c. 166, s. 22, and as such is subject to regulation by the Town consistent with that law, including all lawful and applicable Town bylaws and regulations regarding rights-of-way and public works matters, including rights-of-way management requirements with regard to public safety and other legitimate municipal concerns. To the extent that grants of location may be required for the ownership, operation and maintenance of the Cable System along the Public Rights-of-Way within the Town, the Town reserves the right to require that Licensee obtain grants of location and comply with such grant of location requirements.

2.2. *Issuing Authority Does Not Regulate Telecommunications:* The parties recognize that the FTTP Network is constructed, operated and maintained as an upgrade to and/or an extension of Licensee's existing Telecommunications Facilities under Title II and M.G.L. c. 166. The jurisdiction of the Town over such Telecommunications Facilities is restricted by federal and State law, and the Town does not and will not assert jurisdiction over Licensee's FTTP Network, in contravention of those limitations. The Issuing Authority's regulatory authority under Title VI does not extend to the construction, installation, maintenance or operation of the FTTP Network to the extent the FTTP Network is and/or was constructed, installed, maintained or operated for the purpose of upgrading and/or extending Verizon's existing Telecommunications Facilities for the provision of Non-Cable Services.

2.3. *Term:* The term of this License shall be for a period of five (5) years, commencing on July 18, 2022 (the "Effective Date"), and shall expire at midnight on July 17, 2027, unless the License is earlier terminated by Licensee pursuant to the terms of Sections 2.4 or 2.5 of this License or revoked by the Issuing Authority as provided herein.

2.4. *Termination:* Notwithstanding any provision herein to the contrary, following the thirtieth (30) month after the Effective Date, Licensee may terminate this License upon one hundred and eighty (180) days' written notice to the Issuing Authority.

2.5. *Modification/Termination Based on VSP Requirements:*

2.5.1 If the Issuing Authority enters into any franchise agreement, license, or grant of authorization to a VSP to provide Video Programming services to residential subscribers in the Town and provided that such terms or conditions can be reasonably demonstrated to materially and adversely affect Verizon's competitive position relative to any VSP that has entered an agreement, etc. that is deemed materially less burdensome, Licensee and the Issuing Authority shall, within sixty (60) days of the Issuing Authority's receipt of Licensee's written notice, commence negotiations to modify this License to create reasonable competitive equity between Licensee and such other VSPs. Any modification of the License pursuant to the terms of this Section shall not trigger the requirements of 207 CMR § 3.07. The PEG Grant and

PEG Access Support, as provided in Sections 5.3 and 5.4, will not be subject to modification under this Section 2.5.1 or 2.5.2.

2.5.2 In the event the parties do not reach mutually acceptable agreement on a modification requested by Licensee, Licensee shall, at any time and in its sole discretion, have the option of exercising any of the following actions:

- a. commencing license renewal proceedings in accordance with 47 U.S.C. § 546 with the License term being accelerated, thus being deemed to expire thirty-six (36) months from the date of Licensee's written notice to seek relief hereunder;
- b. terminating the License within three (3) years from written notice to the Issuing Authority;
- c. submitting the matter to mediation by a mutually-acceptable mediator;
- d. submitting the matter to the Cable Division of the Massachusetts Department of Telecommunications and Cable; or
- e. if agreed by both parties, submitting the matter to commercial arbitration by a mutually-selected arbitrator in accordance with the rules of the American Arbitration Association.

2.5.3. PEG Grant and PEG Access Support payments under this License shall be modified in accordance with the terms and conditions set forth in Sections 5.3 and 5.4 hereunder.

2.6. *Grant Not Exclusive:* This License and the rights granted herein to use and occupy the Public Rights-of-Way to provide Cable Services shall not be exclusive, and the Issuing Authority reserves the right to grant other licenses for similar uses or for other uses of the Public Rights-of-Way, or any portions thereof, to any Person, or to make any such use itself, at any time during the term of this License. Any such rights which are granted after the Effective Date shall not be inconsistent with the rights granted under this License or the Licensee's rights under State law with respect to its telecommunications network.

2.7. *License Subject to Federal and State Law:* Notwithstanding any provision to the contrary herein, this License is subject to and shall be governed by all applicable provisions of federal and State law as they may be amended, including but not limited to the Communications Act and the Massachusetts Cable Law.

2.8. *Compliance with Federal and State Privacy Laws:* Licensee shall comply with the privacy provisions of Section 631 of the Communications Act and all other applicable federal and State privacy laws and regulations. The parties agree that, during the term hereof, Licensee shall not be subject to any local laws or ordinances which conflict with such applicable federal and/or State privacy laws, or which would impose additional or distinct requirements upon

Licensee with respect to Subscriber privacy other than those which are expressly set forth in applicable federal and/or State privacy laws.

2.9. *No Waiver:*

2.9.1. The failure of the Town on one or more occasions to exercise a right or to require compliance or performance under this License, the Massachusetts Cable Law or any other applicable law shall not be deemed to constitute a waiver of such right or a waiver of compliance or performance by the Town, nor to excuse Licensee from complying or performing, unless such right or such compliance or performance has been specifically waived in writing by the Issuing Authority.

2.9.2. The failure of the Licensee on one or more occasions to exercise a right under this License or applicable law, or to require performance under this License, shall not be deemed to constitute a waiver of such right or of performance of this License, nor shall it excuse the Town from performance, unless such right or performance has been specifically waived in writing by the Licensee.

2.10. *Construction of License:*

2.10.1. The provisions of this License shall be liberally construed to effectuate their objectives.

2.10.2. Nothing herein shall be construed to limit the scope or applicability of Section 625 of the Communications Act, 47 U.S.C. § 545.

2.11. *Police Powers:* Nothing in this License shall be construed to prohibit the reasonable, necessary and lawful exercise of the Town's police powers, provided that the Town shall not exercise its police powers in a manner that would result in a material alteration of the terms and conditions of this License. Any such police powers exercised by the Town in contravention of the preceding sentence shall be of no effect with respect to this License.

3. PROVISION OF CABLE SERVICE

3.1. *Service Area:* Subject to the issuance of all necessary permits by the Town, the Licensee shall continue to offer Cable Service to all residential households in the Service Area, except: (A) for periods of Force Majeure; (B) for periods of delay caused by the Town; (C) for periods of delay resulting from Licensee's inability to obtain authority to access rights-of-way in the Town; (D) in areas where developments or buildings are subject to claimed exclusive arrangements with other providers; (E) in areas, developments, buildings or other residential dwelling units that Licensee cannot access under reasonable terms and conditions after good faith negotiation, as determined by Licensee; (F) in areas, developments, buildings, or other residential dwelling units where Licensee is unable to provide Cable Service for technical reasons or which require non-standard facilities which are not available on a commercially reasonable basis, including, but not limited to, circumstances where Licensee cannot access the area, development,

building, or other residential dwelling unit by using Licensee’s existing network pathways and which would thus require the construction of new trunk, feeder, or distribution lines; (G) in areas, developments, buildings, or other residential dwelling units that are not habitable or have not been constructed as of the Effective Date where the average density at the time of the request for Cable Service is equal to or less than twenty (20) residential dwelling units per aerial mile and forty (40) residential dwelling units per underground mile as measured in strand footage from the nearest technically feasible point on the active FTTP Network trunk or feeder line and where Licensee has not secured written agreements for the provision of Cable Service from at least twenty (20) residential dwelling units per mile, or where Licensee is unable, after good faith efforts, to make Cable Service available on a commercially reasonable basis.

3.2. *Availability of Cable Service:* The Licensee shall make Cable Service available to all residential dwelling units, and may make Cable Service available to businesses, within the Service Area in conformance with Section 3.1 and the Licensee shall not discriminate between or among any individuals in the availability of Cable Service. In the areas in which the Licensee shall provide Cable Service, Licensee shall be required to connect, at Licensee’s expense, all residential dwelling units that are within one hundred fifty (150) feet of trunk or feeder lines not otherwise already served by the Licensee’s FTTP Network. The Licensee shall be allowed to recover, from a Subscriber that requests such connection, actual costs incurred for residential dwelling unit connections that exceed one hundred fifty (150) feet as well as actual costs incurred to connect any non-residential dwelling unit Subscriber and Licensee shall disclose such costs to the Subscriber prior to, or at the time of, such installation.

3.3. *Cable Service to Public Buildings:* In accordance with applicable provisions of the FCC’s 2019 Third Report and Order In the Matter of Implementation of Section 621 of the Cable Act (the “621 Order”), within a reasonable period of time following the Effective Date, the Licensee shall provide written notice to the Issuing Authority regarding the manner and process by which the Licensee shall implement the 621 Order’s requirements regarding the provision of free or discounted Cable Service to public buildings under a cable license. If there is a final determination or ruling of any agency or court having jurisdiction, after exhaustion of all appeals related thereto, reversing the 621 Order such that the provision of free or discounted Cable Service to public buildings pursuant to a cable franchise should no longer be included in the calculation of franchise fees subject to the five percent (5%) statutory cap under the Communications Act, then, subject to Section 3.1, if requested in writing by the Issuing Authority within sixty (60) days following such ruling, the Licensee shall provide one Cable Service drop, outlet and monthly Basic Service along its activated Cable System route in the Town at no cost to public schools, police and fire stations, public libraries and other public buildings designated in writing by the Issuing Authority. All such written designations shall include the street address of each building. The current designation of such buildings and their addresses is set forth in **Exhibit A**. The Licensee shall coordinate the location of each outlet with representatives for each of the buildings receiving service pursuant to this Section 3.3. The parties hereto agree that the exercise of any conditional obligations set forth in this Section 3.3 shall not constitute a modification or amendment of the License within the meaning of 207 CMR § 3.07.

4. SYSTEM FACILITIES

4.1. *System Characteristics:* The Licensee's Cable System shall meet or exceed the following requirements:

4.1.1. The Cable System shall be operated with an initial digital passband of between 50 and 860 MHz.

4.1.2. The Cable System shall be operated to be an active two-way plant for subscriber interaction, if any, required for the selection or use of Cable Service.

4.1.3. The Cable System shall comply with applicable FCC technical standards, as such standards may be amended from time to time.

4.1.4. The Cable System shall conform in all material respects to the following standards to the extent applicable: Occupational Safety and Health Administration regulations, the National Electrical Code and the National Electrical Safety Code.

4.2. *Emergency Alert System:* The Licensee shall comply with the Emergency Alert System ("EAS") requirements of the FCC and applicable State and local EAS Plans in order that emergency messages may be distributed over the Cable System.

4.3. *Parental Control Capability:* The Licensee shall comply with all applicable requirements of federal law governing Subscribers' capability to control the reception of any Channels being received on their television sets.

5. PEG ACCESS SERVICES AND SUPPORT

5.1. *PEG Set Aside; Interconnection:*

5.1.1. The Licensee shall continue to make available to the Town and/or the PEG Access Designee, as designated in writing by the Issuing Authority, three (3) SD PEG Access Channels on its Basic Service Tier. In accordance with Section 5.1.2 below, the Issuing Authority may also request one (1) HD PEG Access Channel, for a total of four (4) PEG Access Channels.

5.1.2. The Licensee shall make one (1) HD PEG Access Channel available to the Town and/or the PEG Access Designee, as designed in writing by the Issuing Authority, as follows: Starting on the Effective Date, the Issuing Authority may make a written request for the HD PEG Access Channel to the Licensee. Upon receipt of the Issuing Authority's written request, the Licensee shall make the HD PEG Access Channel available to Town or the PEG Access Designee within two hundred and seventy (270) days of the Licensee's receipt of such written notice from the Issuing Authority. The Issuing Authority shall include in the written notice a statement of whether the programming on such HD PEG Access Channel shall either be a simulcast of existing SD PEG Access Channel programming or distinct programming. The Issuing Authority or the PEG Access Designee may subsequently change the programming on the HD PEG Access Channel from an SD PEG Access Channel simulcast in HD to distinct

programming, or from distinct programming to an HD simulcast of the existing SD PEG Access Channel, upon one hundred (180) days prior written notice from the Issuing Authority to the Licensee which change shall not occur more than once during the License term. To the extent permitted by law, the Licensee shall be allowed to recover from Subscribers applicable costs incurred to transmit HD PEG Access Channel programming of any type.

5.1.3. All programming content for the HD PEG Access Channel shall be transmitted to Licensee in HD-SDI format with a resolution of 720p or 1080i. Licensee reserves the right to reassign channel number and location for any or all of the PEG Access Channels at any time during the term of this License. The HD PEG Access Channel may not be available at all times during the term of this License on Licensee's Basic Service Tier, and in order to view the HD PEG Access Channel, a Subscriber may be required to upgrade equipment at an additional charge.

5.1.4. The Licensee may carry PEG Access Programming within and outside the Town's jurisdictional boundaries, provided that PEG Access Programming from outside the Town which is carried in the Town shall not be cablecast on the PEG Access Channels made available to the Issuing Authority and/or the PEG Access Designee. If a PEG Access Channel provided under this Article is not being utilized by the Town and/or the PEG Access Designee, the Licensee may utilize such PEG Access Channel by providing at least sixty (60) days advance written notice to the Issuing Authority. In the event that the Town and/or the PEG Access Designee determines to use such PEG Access capacity for PEG Access purposes, the Issuing Authority shall have the right to utilize such PEG Access Channel by providing at least sixty (60) days advance written notice to the Licensee.

5.2. *PEG Interconnection and Cablecasting:*

5.2.1. The Licensee shall continue to connect to equipment owned by the Issuing Authority and/or the PEG Access Designee at Algonquin Regional High School, 79 Bartlett Street, Northborough, MA 01532 (the "PEG Interconnection Site"). The Issuing Authority or, if designated by the Issuing Authority in writing to Licensee, the PEG Access Designee, shall be required to pay Licensee for all costs associated with: (i) any equipment upgrade where the need for the upgrade is initiated by the Issuing Authority or PEG Access Designee; (ii) relocating any connection where the need for relocation is initiated by the Issuing Authority or PEG Access Designee; (iii) re-installing and/or replacing any connection at an existing location where the need for such re-installation and/or replacement is initiated by the Issuing Authority or PEG Access Designee; or (iv) installing any new connection if initiated by the Issuing Authority or PEG Access Designee; provided, however, that Issuing Authority and/or PEG Access Designee responsibility for the foregoing costs is subject to the Issuing Authority's express written consent, and subject further to Licensee's prior disclosure of such costs and prior consent to same by the Issuing Authority or its PEG Access Designee.

5.2.2. The demarcation point between the Licensee's signal processing equipment (which the Licensee shall own, install and maintain) and the Issuing Authority's PEG equipment shall be at the output of the Issuing Authority's signal processing equipment at the PEG Interconnection Site. The Issuing Authority and/or the PEG Access Designee shall be solely

responsible for operating its switching equipment and the picture and audio quality of all PEG access programming up to the demarcation point and for ensuring all PEG access programming is inserted on the appropriate upstream PEG Access Channel. All PEG access programming shall be transmitted to the Licensee in baseband, SD-SDI or HD-SDI format with either mono or stereo audio signals, and with signals received by Licensee in stereo cablecast by Licensee in stereo. Notwithstanding the foregoing, the Licensee shall not be obligated to provide the Issuing Authority or PEG Access Designee with either cablecast equipment and facilities or the personnel responsible for maintaining and operating equipment and facilities on the Issuing Authority's side of the demarcation point and used to generate or administer any PEG Access signals, except as necessary to implement the Licensee's responsibilities specified herein. The Issuing Authority and the Licensee shall work together in good faith to resolve any connection issues. If the Issuing Authority issues a license to, or renews a license with, a competing VSP, the competing VSP may not connect its system to Licensee's System for the purposes of obtaining PEG access programming from the PEG Access Channels transmitted on Licensee's System without Licensee's prior written consent.

5.3. *PEG Grant:*

5.3.1. The Licensee shall provide equipment and/or facilities funding to the Issuing Authority and/or the PEG Access Designee, as directed by the Issuing Authority, for the support of the production of local PEG Access Programming and/or other cable-related purposes in the total amount of One Hundred Fifteen Thousand Dollars (\$115,000.00) (the "PEG Grant"), payable as follows: (i) Thirty-Eight Thousand Three Hundred Thirty-Three Dollars and Thirty-Four Cents (\$38,333.34) within forty-five (45) days of the Effective Date; (ii) Thirty-Eight Thousand Three Hundred Thirty-Three Dollars and Thirty-Three Cents (\$38,333.33) on or before the first (1st) anniversary of the Effective Date; and (iii) Thirty-Eight Thousand Three Hundred Thirty-Three Dollars and Thirty-Three Cents (\$38,333.33) on or before the third (3rd) anniversary of the Effective Date. The Town and/or the PEG Access Designee shall own all equipment purchased with funding pursuant to this Section 5.3.1, and the Licensee shall have no obligation to maintain, repair, replace or insure any such equipment.

5.3.2. If the Issuing Authority enters into any new or renewed cable license agreement with any other VSP which contains obligations associated with a PEG Grant or other comparable program that are lesser than the obligations set forth above, the Licensee's obligations under this Section shall be reduced, on an annual basis and upon the effective date of said agreement, to an amount equal to the lowest total payment required to be made by any VSP to the Town. The relief available in the event of the foregoing is equitable relief going forward, and the Licensee shall not recover amounts already paid to the Town. Notwithstanding the foregoing, if at any time during the term of this License, any other VSP ceases to provide cash grants to the Town in support of the production of local PEG programming in accordance with the terms of its respective license agreement, then Licensee's PEG Grant obligation shall also cease. The Issuing Authority shall provide notification to Licensee within thirty (30) days of such other VSP's failure to provide a cash grant in accordance with the schedule set forth in such VSP's license agreement with the Issuing Authority. Equipment, services and other in kind, non-monetary

contributions to the Town by such VSP shall not count towards the cash grants referenced in this paragraph.

5.4. *PEG Access Support:*

5.4.1 The Licensee shall provide annual funding to the Issuing Authority for PEG Access Channel operating support or other PEG Access Channel costs and expenses (“PEG Access Support”) in the amount of four percent (4%) of the Licensee's annual Gross Revenue, subject to the limitation in Section 6.2; however, if the Town issues or renews any cable licenses after the Effective Date that provide for a higher or lower percentage of PEG Access Support, then the percentage of the Licensee’s PEG Access Support payments shall be increased or reduced to match such higher or lower percentage over that same time period. The Issuing Authority shall place Licensee’s PEG Access Support payments in a restricted account for cable related purposes in the nature of a grant account and not into the general fund, which account will be under the Issuing Authority’s control.

5.4.2 The PEG Access Support payments shall be made no later than forty-five (45) days following the end of each calendar quarter. The Licensee shall be allowed to provide an extra payment if needed to correct any payments that were incorrectly omitted, and shall have the right to offset against future payments any payments that were incorrectly submitted, in connection with the quarterly remittances within ninety (90) days following the close of the calendar quarter for which such payments were applicable. For purposes of the PEG Access Support payment, the period for determining Gross Revenues shall be the preceding calendar quarter. If Cable Services are provided to Subscribers in conjunction with Non-Cable Services, then the calculation of Gross Revenues shall be adjusted, if needed, to include only the value of the Cable Services billed to Subscribers, as reflected on the books and records of the Licensee in accordance with FCC rules, regulations, standards or orders.

5.5. *PEG Operational Rules.* The Issuing Authority and/or its PEG Access Designee shall establish rules and regulations that require all local producers and users of any of the PEG facilities or Channels to assume individual responsibility for any program-based liability including but not limited to liability for copyright infringement or defamation, and to hold the Town and Licensee harmless for same, subject to applicable federal statutory and FCC requirements. The Issuing Authority or its PEG Access Designee shall establish rules and regulations for use of PEG facilities consistent with, and as required by, Section 611 of the Communications Act (47 U.S.C. § 531) and this Section 5.5.

5.6. *Recovery of Costs.* To the extent permitted by federal law, the Licensee shall be allowed to recover the costs of PEG interconnection, the PEG Grant, PEG Access Support payments, and any other costs arising from the provision of PEG services from Subscribers and to include such costs as separately billed line items on each Subscriber’s bill. Without limiting the foregoing, if allowed under state and federal laws, Licensee may externalize, line-item, or otherwise pass-through interconnection costs to Subscribers.

5.7 *Non-Commercial Programming.* The Issuing Authority and/or PEG Access Designee shall not use the PEG Access channels to provide for-profit commercial programming.

Nothing in this Section shall prohibit the Issuing Authority and/or PEG Access Designee from having memberships, sponsorships, underwriting or acknowledgements (such as underwriting and acknowledgements accepted by PBS), to the extent not otherwise prohibited by applicable law and regulation.

5.8 *Late Payments.* In the event that the PEG Grant, the PEG Access Support fee or the License Fee is not paid within thirty (30) days after the due dates set forth in this License for such payments, then interest shall accrue from thirty (30) days after the due date until the date paid at a rate equal to one percent (1%) above the Prime Rate.

5.9 *No PEG Access Designee Rights:* The Issuing Authority and the Licensee herein acknowledge and agree that any PEG Access Designee is not a party to this License and that any provisions herein that may affect a PEG Access Designee are not intended to create any rights on behalf of any PEG Access Designee.

6. LICENSE FEES

6.1 *License Fee:* Pursuant to Section 9 of the Massachusetts Cable Law, the Licensee shall pay to the Town, throughout the term of this License, a license fee equal to fifty cents (\$.50) per Subscriber per year (the "License Fee").

6.2 *Maximum License/Franchise Fee Obligation:* Any fee, tax, assessment, grant, contribution of any type (including in-kind) or expenditure paid or incurred by the Licensee under this License and/or under applicable State law in connection with the provision by Licensee of Cable Service in the Service Area is subject to classification as a "franchise fee" and the five percent (5%) cap on such fees in accordance with Sections 622(b) and (g) of the Communications Act (47 U.S.C. § 542) and applicable federal rules and regulations.

6.3 *Payment Information:* In determining the License Fee, the number of Subscribers shall be measured as of December 31st of the preceding calendar year. The License Fee shall be paid no later than March 15th of each year during the term of this License.

6.4 *Limitation on Actions:* The parties agree that the period of limitation for recovery of any payment obligation under this License shall be three (3) years from the date on which payment by Licensee is due.

6.5 *Recomputation:*

6.5.1 Tender or acceptance of any payment made pursuant to Article 5 and/or 6 herein shall not be construed as an accord that the amount paid is correct, nor shall such acceptance of payment be construed as a release of any claim that the Issuing Authority may have for additional sums.

6.5.2 If the Issuing Authority has reason to believe that any such payment is incorrect, it shall notify the Licensee thereof in writing within ninety (90) business days after receiving such payment. The Licensee shall then have ninety (90) business days after receipt

of such notice to provide the Town with additional information documenting the accuracy of such payment. In the event that the Issuing Authority does not reasonably believe that such documentation supports the accuracy of such payment, then the Issuing Authority may conduct an audit of such payment, provided that the Issuing Authority shall be limited to one audit every three years during the term of this License, which audit shall be applicable to the previous three (3) year period in accordance with Section 6.4 above. If, after such audit and re-computation, an additional fee is owed to the Town, then such fee shall be paid within thirty (30) business days after such audit and re-computation, together with any applicable late charges calculated pursuant to Section 5.8 above.

6.6. *Method of Payment:* All License Fee payments by the Licensee to the Town pursuant to this License shall be made payable to the Town and deposited with the Town Treasurer.

7. CUSTOMER SERVICE

7.1. *Standards:* The Licensee shall comply with the FCC's cable television customer service and notice regulations codified at 47 C.F.R. § 76.309(c), 47 C.F.R. § 76.1602, and 47 C.F.R. § 76.1603, as amended, and the billing and termination of service provisions contained in 207 CMR § 10.00, as amended; provided, however, that Licensee may satisfy the requirements of 47 C.F.R. § 76.309(c)(1)(v) through its website. Measurement of the telephone availability standards in 47 C.F.R. § 76.309(c)(1)(ii) shall include all calls received by the Licensee at all call centers receiving calls from Subscribers, whether they are answered by a live representative, by an automated attendant, or abandoned after 30 seconds of call waiting.

7.2. *Outage Credits:* In the event that all Cable Service is interrupted for twenty-four (24) or more hours, Licensee will grant affected Subscribers a pro rata credit or rebate.

7.3. *Denial of Service:* Subject to applicable laws and regulations, nothing in these standards shall limit the right of the Licensee to deny Cable Service for non-payment of previously provided Cable Services, refusal to pay any required deposit, theft of Cable Service, damage to the Licensee's equipment, abusive and/or threatening behavior toward the Licensee's employees or representatives, refusal to provide credit history information or refusal to allow the Licensee to validate the identity, credit history and credit worthiness via an external credit agency, or failure to abide by the Licensee's terms and conditions of service.

8. REPORTS AND RECORDS

8.1. *Open Books and Records:* Upon reasonable written notice to the Licensee and with no less than thirty (30) business days written notice to the Licensee, the Issuing Authority shall have the right to inspect at an office of the Licensee, the Licensee's books and records pertaining to the Licensee's provision of Cable Service in the Town during Licensee's regular business hours and on a nondisruptive basis, as are reasonably necessary to ensure compliance with the terms of this License. Such notice shall specifically reference the section or subsection of this License which is under review, so that Licensee may organize the necessary books and records for appropriate access by the Issuing Authority. The Licensee shall not be required to maintain any books and records for License compliance purposes longer than three (3) years. If

the Licensee believes that the requested information is confidential, then the Licensee shall provide the following documentation to the Issuing Authority: (i) specific identification of the information; (ii) a statement attesting to the reason(s) Licensee believes the information is confidential; and (iii) a statement that the documents are available at the Licensee's offices for inspection by the Issuing Authority. The Issuing Authority shall take reasonable steps to the extent consistent with public records laws to protect the confidential nature of any books, records, maps, plans or other requested documents that are provided to the extent they are designated as such by Licensee in accordance herewith, including without limitation, cooperating with the Licensee's exercise of its rights to protect its confidential information from public disclosure. Licensee shall not be required to provide Subscriber information in violation of Section 631 of the Communications Act, 47 U.S.C. § 551.

8.2. *Records Required:* The Licensee shall at all times maintain:

8.2.1. Records of all written complaints for a period of three (3) years after receipt by the Licensee.

8.2.2. Records of outages for a period of three (3) years after occurrence, indicating date, duration, area, and the number of Subscribers affected, type of outage, and cause;

8.2.3. Records of service calls for repair and maintenance for a period of three (3) years after resolution by the Licensee, indicating the date and time service was required, the date of acknowledgment and date and time service was scheduled (if it was scheduled), and the date and time service was provided, and (if different) the date and time the problem was resolved;

8.2.4. Records of installation/reconnection and requests for service extension for a period of three (3) years after the request was fulfilled by Licensee, indicating the date of request, date of acknowledgment, and the date and time service was extended; and

8.2.5. A map showing the area of coverage for the provisioning of Cable Services.

8.3. *Additional Reports:* Upon written request of the Issuing Authority, the Licensee shall provide a copy of any documents or forms filed by the Licensee with the FCC and/or the Cable Division that materially pertain to the Licensee's Cable System in the Town.

8.4. *Proof of Performance Tests:* Upon written request of the Issuing Authority, the Licensee shall provide a copy of proof of performance tests required by applicable law.

8.5. *Annual Performance Review:* The Issuing Authority may, at its discretion but not more than once per twelve-month period, hold a performance evaluation session. The purpose of such evaluation session shall be to review Licensee's compliance with the terms and conditions of this License. The Issuing Authority shall provide Licensee with thirty (30) days advance written notice of such evaluation session. The Issuing Authority shall provide Licensee

with a written report with respect to Licensee's compliance within thirty (30) days after the conclusion of such evaluation session.

8.6. *Quality of Service*: If there exists credible evidence which, in the reasonable judgment of the Issuing Authority, casts doubt upon the reliability or technical quality of the Licensee's Cable Services in the Town, then, after notice to the Licensee and an opportunity to cure, the Issuing Authority shall have the right to require the Licensee to test, analyze and report on the performance of the Cable System.

9. INSURANCE AND INDEMNIFICATION

9.1. *Insurance*:

9.1.1. The Licensee shall maintain in full force and effect, at its own cost and expense, during the term of this License, the following insurance coverage:

9.1.1.1. Commercial General Liability Insurance in the amount of six million dollars (\$6,000,000) per occurrence for property damage and bodily injury and six million dollars (\$6,000,000) general aggregate. Such insurance shall cover the construction, operation and maintenance of the Cable System, and the conduct of the Licensee's Cable Service business in the Town.

9.1.1.2. Automobile Liability Insurance in the amount of six million dollars (\$6,000,000) combined single limit for bodily injury and property damage coverage.

9.1.1.3. Workers' Compensation Insurance meeting the statutory requirements of the Commonwealth of Massachusetts and Employers' Liability Insurance in the following amounts: \$100,000 bodily injury by accident/\$100,000 disease-each employee/\$500,000 disease-policy limit.

9.1.2. The Town shall be included as an additional insured as their interests may appear under this License on the Commercial General Liability Insurance and Automobile Liability Insurance required herein.

9.1.3. Upon receipt of notice from its insurer(s) the Licensee shall provide the Issuing Authority with thirty (30) days' prior written notice of cancellation of any required coverage.

9.1.4. Each of the required insurance policies shall be with insurers qualified to do business in the Commonwealth of Massachusetts, with an A.M. Best Financial Strength rating of A- or better.

9.1.5. Upon written request, the Licensee shall deliver to the Issuing Authority, Certificates of Insurance showing evidence of the required coverage.

9.2. *Indemnification:*

9.2.1. The Licensee shall indemnify and hold the Town, its officials, councils, committees, agents and employees harmless at all times during the term of this License from any and all claims, suits and judgments, whether for damages or otherwise arising out of the installation, operation, or maintenance of the Cable System or the provision of Cable Services in the Town, provided that the Town shall give the Licensee written notice of its request for indemnification within a period of time from receipt of a claim pursuant to this subsection sufficient to enable Licensee to timely answer complaints, raise defenses and to defend all claims. Notwithstanding the foregoing, the Licensee shall not indemnify the Town for any damages, liability or claims resulting from the willful misconduct or negligence of the Town, its officers, agents, employees, attorneys, consultants, independent contractors or third parties, or for any activity or function conducted by any Person other than Licensee in connection with PEG Access or EAS, or the distribution of any Cable Service over the Cable System.

9.2.2. With respect to the Licensee's indemnity obligations set forth in Section 9.2.1, the Licensee shall, at its own expense, provide the defense of any claims brought against the Town by selecting counsel of the Licensee's choice to defend the claim, subject to the consent of the Town, which shall not unreasonably be withheld. Nothing herein shall be deemed to prevent the Town from cooperating with the Licensee and participating in the defense of any litigation by its own counsel at its own cost and expense, provided however, that after consultation with the Town, the Licensee shall have the right to defend, settle or compromise any claim or action arising hereunder, and the Licensee shall have the authority to decide the appropriateness and the amount of any such settlement. In the event that the terms of any such proposed settlement includes the release of the Town and the Town does not consent to the terms of any such settlement or compromise, the Licensee shall not settle the claim or action but its obligation to indemnify the Town shall in no event exceed the amount of such proposed settlement.

9.3. *Performance Bond.* Licensee shall provide to the Town, and shall maintain throughout the term of this License, a performance bond in the Town's favor in the amount of Fifty Thousand Dollars (\$50,000), which shall insure against material default by Licensee of the performance of its obligations under this License and shall be substantially in the form of **Exhibit B**. In the event that a performance bond provided pursuant to this License is not renewed or is cancelled, the Licensee shall provide a new bond pursuant to this Article within thirty (30) days of such failure to renew or cancellation. Neither cancellation, nor termination nor refusal by the surety to extend the bond, nor the inability of the Licensee to file a replacement bond or replacement security for its obligations under this License, shall constitute a loss to the Town recoverable under the bond. If the Town suffers any damages as a result of the Licensee's failure to comply with the material provisions of this License, then the Town may recover from the surety of the bond all such damages suffered by the Town, provided that the total of such damages recovered from the bond shall not exceed the amount of Fifty Thousand Dollars (\$50,000). Recourse by the Town of remedies available under this Section 9.3 shall not be exclusive of other lawful remedies available to the Town at law and equity.

10. TRANSFER OF LICENSE

Subject to Section 617 of the Communications Act, 47 U.S.C. § 537, no Transfer of this License shall occur without the prior consent of the Issuing Authority, provided that such consent shall not be unreasonably withheld, delayed or conditioned. Such consent shall be given only after a public hearing upon a written application and forms therefore as provided by the FCC and the Cable Division. No such consent shall be required, however, for a transfer in trust, by mortgage, by other hypothecation, by assignment of any rights, title, or interest of the Licensee in this License or the Cable System in order to secure indebtedness, or for transactions otherwise excluded under Section 1.42 above, except to the extent that any of the foregoing are determined to be a transfer of control pursuant to 207 CMR § 4.01, in which case such transaction shall be subject to the Cable Division's transfer regulations (207 CMR §§ 4.00 et. seq.). The transferee of any Transfer of this License shall be subject to the terms and conditions contained in this License.

11. RENEWAL OF LICENSE

11.1. *Governing Law:* The Town and the Licensee agree that any proceedings undertaken by the Town that relate to the renewal of this License shall be governed by and comply with the provisions of Section 626 of the Communications Act, 47 U.S.C. § 546, the Massachusetts Cable Law and Section 13.12 below.

11.2. *Needs Assessments:* In addition to the procedures set forth in Section 626 of the Communications Act, the Town shall reasonably notify the Licensee of its assessments regarding the identity of future cable-related community needs and interests, as well as the past performance of the Licensee under the terms of this License consistent with the requirements of applicable law. Such assessments shall be provided to the Licensee by the Town such that the Licensee has adequate time to submit a proposal under Section 626 of the Communications Act prior to expiration of its term and consistent with any applicable timetables or requirements set forth in applicable law.

11.3. *Informal Negotiations:* Notwithstanding anything to the contrary set forth herein and subject to applicable law, the Licensee and the Town agree that at any time during the term of the then current License, while affording the public appropriate notice and opportunity to comment, the Town and the Licensee may agree to undertake and finalize informal negotiations regarding renewal of the then current License and the Issuing Authority may grant a renewal thereof.

11.4. *Consistent Terms:* The Licensee and the Town consider the terms set forth in this Article 11 to be consistent with the express provisions of Section 626 of the Communications Act.

12. ENFORCEMENT AND TERMINATION OF LICENSE

12.1. *Notice of Violation:* If at any time the Issuing Authority believes that Licensee has not complied with the terms of this License, the Issuing Authority shall informally discuss the matter with the Licensee, however the Issuing Authority reserves the right to inform

Licensee in writing prior to informal discussions. If these informal discussions do not lead to resolution of the problem in a reasonable time, the Issuing Authority shall then notify the Licensee in writing of the exact nature of the alleged noncompliance (for purposes of this Article, the “Noncompliance Notice”).

12.2. *Licensee’s Right to Cure or Respond:* The Licensee shall have thirty (30) days from receipt of the Noncompliance Notice to: (i) respond to the Issuing Authority, if Licensee contests (in whole or in part) the assertion of noncompliance; (ii) cure such noncompliance; or (iii) in the event that, by its nature, such noncompliance cannot be cured within such thirty (30) day period, initiate reasonable steps to remedy such noncompliance and notify the Issuing Authority of the steps being taken and the date by which they are projected to be completed. In no event shall the cure period exceed a total of ninety (90) days from response pursuant to (i) unless the Licensee demonstrates in good faith to the Issuing Authority that such noncompliance cannot be cured within such 90-day period. Upon cure of any noncompliance, the Town shall provide Licensee with written confirmation that such cure has been effected.

12.3. *Public Hearing:* In the event that the Licensee fails to respond to the Noncompliance Notice pursuant to the procedures required by this Article, or in the event that the alleged noncompliance is not remedied within thirty (30) days or the date projected pursuant to Section 12.2(iii) above, if the Town seeks to continue its investigation into the alleged noncompliance, then the Issuing Authority shall schedule a public hearing. The Issuing Authority shall provide Licensee at least thirty (30) business days prior written notice of such public hearing, which will specify the time, place and purpose of such public hearing, and provide Licensee the opportunity to be heard.

12.4. *Enforcement:* Subject to applicable federal and State law, in the event the Issuing Authority, after the public hearing set forth in Section 12.3, determines that Licensee is in default of any provision of this License, the Issuing Authority may:

12.4.1. Seek specific performance of any provision, which reasonably lends itself to such remedy, as an alternative to damages; or

12.4.2. Commence an action at law for monetary damages or seek other equitable relief; or

12.4.3. Submit a claim against an appropriate part of the performance bond pursuant to Section 9.3 above; or

12.4.4. In the case of a substantial noncompliance of a material provision of this License, seek to revoke this License in accordance with Section 12.5.

12.5. *Revocation:* Should the Issuing Authority seek to revoke this License after following the procedures set forth in this Article, including the public hearing described in Section 12.3, the Issuing Authority shall give written notice to the Licensee of such intent. The notice shall set forth the specific nature of the noncompliance. The Licensee shall have ninety (90) days from receipt of such notice to object in writing and to state its reasons for such objection. In the

event the Issuing Authority has not received a satisfactory response from Licensee, it may then seek termination of this License at a second public hearing. The Issuing Authority shall cause to be served upon the Licensee, at least thirty (30) business days prior to such public hearing, a written notice specifying the time and place of such hearing and stating its intent to revoke this License.

12.5.1. At the designated public hearing, the Licensee shall be provided a fair opportunity for full participation, including the rights to be represented by legal counsel, to introduce relevant evidence, to require the production of evidence, to compel the relevant testimony of the officials, agents, employees or consultants of the Issuing Authority, to compel the testimony of other persons as permitted by law, and to question and/or cross examine witnesses. A complete verbatim record and transcript shall be made of such hearing.

12.5.2. Following the second public hearing, the Licensee shall be provided up to thirty (30) days to submit its proposed findings and conclusions to the Issuing Authority in writing and thereafter the Issuing Authority shall determine (i) whether an event of default has occurred under this License; (ii) whether such event of default is excusable; and (iii) whether such event of default has been cured or will be cured by the Licensee. The Issuing Authority shall also determine whether it will revoke this License based on the information presented, or, where applicable, grant additional time to the Licensee to effect any cure. If the Issuing Authority determines that it will revoke this License, the Issuing Authority shall promptly provide Licensee with a written determination setting forth the Issuing Authority's reasoning for such revocation. The Licensee may appeal such written determination of the Issuing Authority to an appropriate court, which shall have the power to review the decision of the Issuing Authority *de novo*. The Licensee shall be entitled to such relief as the court finds appropriate. Such appeal must be taken within sixty (60) days of the Licensee's receipt of the written determination of the Issuing Authority.

12.5.3. The Issuing Authority may, at its sole discretion, take any lawful action that it deems appropriate to enforce the Issuing Authority's rights under this License in lieu of revocation of this License.

13. MISCELLANEOUS PROVISIONS

13.1. *Actions of Parties*: In any action by the Town or the Licensee that is mandated or permitted under the terms hereof, such party shall act in a reasonable, expeditious, and timely manner. Furthermore, in any instance where approval or consent is required under the terms hereof, such approval or consent shall not be unreasonably withheld, delayed or conditioned.

13.2. *Binding Acceptance*: This License shall bind and benefit the parties hereto and their respective receivers, trustees, successors and assigns.

13.3. *Preemption*: In the event that federal or State law, rules, or regulations preempt a provision or limit the enforceability of a provision of this Agreement, the provision shall be read to be preempted to the extent and for the time, but only to the extent and for the time, required by law. In the event such federal or State law, rule or regulation is subsequently repealed,

rescinded, amended or otherwise changed so that the provision hereof that had been preempted is no longer preempted, such provision shall thereupon return to full force and effect, and shall thereafter be binding on the parties hereto, without the requirement of further action on the part of the Issuing Authority.

13.4. *Force Majeure*: If by reason of Force Majeure, either party is unable in whole or in part to carry out its obligations hereunder, said party shall not be held in violation or default during the continuance of such inability. Furthermore, the parties hereby agree that it is not the Town's intention to subject Licensee to penalties, fines, forfeitures or revocation of this License for violations of this License where the violation was a good faith error that resulted in no or minimal negative impact on Subscribers.

13.5. *Delivery of Payments*: Licensee may use electronic funds transfer to make any payments to the Town required under this License.

13.6. *Notices*: Unless otherwise expressly stated herein, notices required under this License shall be mailed first class, postage prepaid, to the addressees below. Each party may change its designee by providing written notice to the other party.

Notices to the Licensee shall be mailed to:

Verizon New England Inc.
6 Bowdoin Square
10th Floor
Boston, MA 02114
Attention: Niall Connors, Franchise Service Manager

with a copy to:

Verizon
1300 I St. NW
Suite 500 East
Washington, DC 20005
Attention: Tonya Rutherford, VP and Deputy General Counsel

Notices to the Issuing Authority shall be mailed to:

Town Administrator
Town Hall
63 Main Street
Northborough, MA 01532

13.7. *Entire Agreement*: This License and the Exhibits hereto constitute the entire agreement between Licensee and the Town, and supersede all prior or contemporaneous agreements, representations or understandings (written or oral) of the parties regarding the subject matter hereof. Any bylaws or ordinances or parts thereof that conflict with the provisions of this License are superseded by this License.

13.8. *Amendments:* Amendments or modifications to this License shall be mutually agreed to in writing by the parties.

13.9. *Captions:* The captions and headings of articles and sections throughout this License are intended solely to facilitate reading and reference to the sections and provisions of this License. Such captions shall not affect the meaning or interpretation of this License.

13.10. *Severability:* If any section, subsection, sentence, paragraph, term, or provision hereof is determined to be illegal, invalid, or unenforceable, by any court of competent jurisdiction or by any State or federal regulatory authority having jurisdiction thereof, such determination shall have no effect on the validity of any other section, subsection, sentence, paragraph, term or provision hereof, all of which will remain in full force and effect for the term of this License.

13.11. *Recitals:* The recitals set forth in this Agreement are incorporated into the body of this Agreement as if they had been originally set forth herein.

13.12. *FTTP Network Transfer Prohibition:* Under no circumstance including, without limitation, upon expiration, revocation, termination, or denial of renewal of this License or any other action to forbid or disallow the Licensee from providing Cable Services, shall the Licensee or its assignees be required to sell any right, title, interest, use or control of any portion of the Licensee's FTTP Network including, without limitation, the Cable System and any capacity used for Cable Service or otherwise, to the Town or any third party. The Licensee shall not be required to remove the FTTP Network or to relocate the FTTP Network or any portion thereof as a result of revocation, expiration, termination, denial of renewal or any other action to forbid or disallow the Licensee from providing Cable Services. This provision is not intended to contravene leased access requirements under Title VI or the PEG requirements set out in this License.

13.13. *Interpretation:* The Town and the Licensee each acknowledge that it has received independent legal advice in entering into this License. In the event that a dispute arises over the meaning or application of any term(s) of this License, such term(s) shall not be construed by the reference to any doctrine calling for ambiguities to be construed against the drafter of the License.

13.14. *No Third Party Beneficiary:* Nothing in this License shall be construed to create or confer any rights or benefits to any third party.

13.15. *Jurisdiction.* Except as otherwise set forth in this License, exclusive jurisdiction and venue over any dispute arising out of this License shall be in a federal or state court of appropriate venue and subject matter jurisdiction located in the State, and the parties hereby agree to be subject to the personal jurisdiction of such court for the resolution of any such dispute.

13.16. *Counterparts:* This License may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Further, this License may be executed by facsimile, email, electronic signature or other electronic

means, and so executed shall have the full force and legal effect as an executed original of this License.

SIGNATURE PAGE FOLLOWS

AGREED TO THIS 18th DAY OF JULY, 2022.

TOWN OF NORTHBOROUGH
By its Board of Selectmen:

VERIZON NEW ENGLAND INC.

Mitch Cohen, Chair

By: _____
Kevin M. Service,
Senior Vice President of Operations –
Consumer and Mass Business Market

Julianne Hirsh, Vice Chair

Kristen P. Wixted, Clerk

Jason Perreault

T. Scott Rogers

Approved as to Form:

Approved as to Form:

William Hewig, Esq.
Counsel to the Town of Northborough

Verizon Law Department

Signature Page

Town of Northborough Renewal License – July 18, 2022

EXHIBITS

**EXHIBIT A – PUBLIC BUILDINGS TO BE PROVIDED CABLE SERVICE
SUBJECT TO SECTION 3.3**

EXHIBIT B – FORM OF PERFORMANCE BOND

Exhibit List

Town of Northborough Renewal License – July 18, 2022

EXHIBIT A

PUBLIC BUILDINGS TO BE PROVIDED CABLE SERVICE SUBJECT TO SECTION 3.3

1. Town Hall, 63 Main St. Selectmen Meeting Room and Conference Room B.
2. PEG Studio, Algonquin Regional High School, 79 Bartlett St.
3. Public Library 34 Main St.
4. Police Station, 211 Main St.
5. Fire Station, 11 Pierce St.
6. Public Works Department/Highway Garage, 190 Main St.
7. Algonquin Regional High School (in addition to #2 above) and Football Field
8. Melican Middle School, 145 Lincoln St. (2 drops)
9. Elementary Schools: Proctor School- 26 Jefferson Rd., Peaslee School – 31 Maple St., Lincoln St. School – 76 Lincoln St., Zeh School – 33 Howard St.
10. Northborough Senior Center, 117 Bearfoot Rd.
11. Historical Society, 50 Main St.
12. Water and Sewer Dept., 200 School St.
13. Cemetery Garage/Office, 30 Howard St.
14. Dog Control Office, 312 SW Cutoff

Exhibit A

Town of Northborough Renewal License – July 18, 2022

EXHIBIT B
FORM OF PERFORMANCE BOND

Franchise Bond
Bond No. _____

KNOW ALL MEN BY THESE PRESENTS: That (name & address) (hereinafter called the Principal), and (name and address) (hereinafter called the Surety), a corporation duly organized under the laws of the State of (state), are held and firmly bound unto (name & address) (hereinafter called the Oblige), in the full and just sum of Twenty-five Thousand Dollars (\$25,000), the payment of which sum, well and truly to be made, the said Principal and Surety bind themselves, their heirs, administrators, executors, and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal and Oblige have entered into a License dated _____ which is hereby referred to and made a part hereof.

WHEREAS, said Principal is required to perform certain obligations under said Agreement.

WHEREAS, the Oblige has agreed to accept this bond as security against default by Principal of performance of its obligations under said Agreement during the time period this bond is in effect.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH that if the Principal shall perform its obligations under said Agreement, then this obligation shall be void, otherwise to remain in full force and effect, unless otherwise terminated, cancelled or expired as hereinafter provided.

PROVIDED HOWEVER, that this bond is executed subject to the following express provisions and conditions:

1. In the event of default by the Principal, Oblige shall deliver to Surety a written statement of the details of such default within 30 days after the Oblige shall learn of the same, such notice to be delivered by certified mail to address of said Surety as stated herein.
2. This Bond shall be effective _____, 2022, and shall remain in full force and effect thereafter for a period of one year and will automatically extend for additional one year periods from the expiry date hereof, or any future expiration date, unless the Surety provides to the Oblige not less than sixty (60) days advance written notice of its intent not to renew this Bond or unless the Bond is earlier canceled pursuant to the following. This Bond may be canceled at any time upon sixty (60) days advance written notice from the Surety to the Oblige.
3. Neither cancellation, termination nor refusal by Surety to extend this bond, nor inability of Principal to file a replacement bond or replacement security for its obligations under said Agreement, shall constitute a loss to the Oblige recoverable under this bond.

Exhibit B

Town of Northborough Renewal License – July 18, 2022

Know All Men By These Presents
That the
Town of Northborough

A body corporate and politic situated in the County of Worcester and Commonwealth of Massachusetts, for and in consideration of Five Hundred Dollars for burial plot and Seven Hundred Dollars for perpetual care, a total of One Thousand Two Hundred Dollars to be paid by Paul & Mary-Ellen Feeley of 67 Rice Ave, the receipt whereof is hereby acknowledged, does hereby sell and convey unto the said Paul & Mary-Ellen Feeley and/or his/her heirs, executors, administrators and assigns (subject to all limitations upon succession and transfer prescribed by the laws of the Commonwealth and regulations of the Board of Cemetery Commissioners of the Town of Northborough as now or hereafter in force), the sole and exclusive right of burial in the lots in the **Northborough Cemetery**, in said Town of Northborough, shown and numbered as Grave(s) 1000 & 1001, Section 5N upon a plan on file in the office of the Board of Cemetery Commissioners, together with the right of erecting a tomb, cenotaph, monument or other structure upon such lot, subject to the following restrictions:

Upright Marker

However the aforementioned right shall be held and exercised in all instances in accordance with the subject to the regulations of said Cemetery Commissioners as now or hereafter in force, to which said regulations the attention of the grantee is hereby specifically directed.

To Have and to Hold, the above granted premises unto the said Grantee and/or his/her heirs, executors, administrators and assigns forever; subject, however, to the limitations and conditions hereinbefore stated.

In Witness Whereof the said Town of Northborough has caused these presents to be signed in the corporate name of said Town by the Board of Selectmen, and the corporate seal of the Town to be affixed thereto, this 18th day of July, 2022.



INHABITANTS OF THE TOWN OF NORTHBOROUGH

Northborough Board of Selectmen

Mitch Cohen

Julianne Hirsh

Kristen Wixted

Jason Perreault

J. Scott Rogers

Recorded: _____

Town Clerk