

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF WESTPORT, MASSACHUSETTS

Report on Examination of the Basic Financial Statements and
Additional Information

Year Ended June 30, 2022





INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Westport, Massachusetts

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westport, Massachusetts (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

TOWN OF WESTPORT, MASSACHUSETTS

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the Required Supplementary Information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
March 15, 2023

Management's Discussion and Analysis

As the management of the Town of Westport, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- Construction continued on the Town's new Junior/Senior High School. The Town expended approximately \$13.7 million in fiscal year 2022 related to this new school and reported over \$2.7 million in intergovernmental revenues it received from the Massachusetts School Building Authority ("MSBA"), who agreed to reimburse the Town approximately 50% of eligible school construction costs up to a maximum reimbursement of \$38.1 million.
- The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$60.1 million (*total net position*). Over \$59.8 million represented net position of governmental activities and approximately \$0.3 million represented net position of the business-type activities.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit approached \$32.0 million at June 30, 2022. This deficit is primarily due to the cumulative effect of recording of non-cash, employee benefit liabilities related to net pension and net OPEB benefits, which totaled approximately \$45.8 million at June 30, 2022.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$8.8 million, which is approximately \$9.5 million lower than the prior year. This decrease was due almost entirely to the spending of over \$13.7 million related to the new Junior/Senior High School construction project offset by State reimbursement of \$2.4 million.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was over \$3.9 million, which was a small increase of \$0.6 million from the prior year. The June 30, 2022, total general fund balance of approximately \$7.9 million was 15.8% of the total fiscal year 2022 general fund expenditures.
- The Town's total reported long-term debt obligations decreased over \$2.0 million during the current fiscal year, which was due mainly to regularly scheduled debt payments exceeding issuances.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

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

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, sanitation, education, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town consist solely of the Town's harbor activities.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the general fund or in other major funds if negative.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community preservation fund, school construction fund and capital projects fund, which are considered to be major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the harbormaster and waterways enterprise fund.

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 statement 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 Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligations to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-Wide Financial Analysis

The following table presents the condensed comparative statements of net position for the two most recent fiscal years:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>						
Current and other assets	\$ 32,617,134	\$ 34,586,648	\$ 85,834	\$ 53,555	\$ 32,702,968	\$ 34,640,203
Capital assets, net	160,486,844	146,166,147	367,996	423,187	160,854,840	146,589,334
Total assets	193,103,978	180,752,795	453,830	476,742	193,557,808	181,229,537
Deferred outflows of resources	6,071,473	7,373,632	15,238	18,480	6,086,711	7,392,112
<u>Liabilities</u>						
Long term liabilities	105,488,637	111,977,522	115,927	126,151	105,604,564	112,103,673
Other liabilities	23,595,832	15,851,918	5,782	5,770	23,601,614	15,857,688
Total liabilities	129,084,469	127,829,440	121,709	131,921	129,206,178	127,961,361
Deferred inflows of resources	10,267,555	8,411,763	26,013	21,399	10,293,568	8,433,162
<u>Net Position</u>						
Net investment in capital assets	88,690,675	85,625,103	367,996	423,187	89,058,671	86,048,290
Restricted	3,118,110	13,556,854	-	-	3,118,110	13,556,854
Unrestricted	(31,985,358)	(47,296,733)	(46,650)	(81,285)	(32,032,008)	(47,378,018)
Net Position	\$ 59,823,427	\$ 51,885,224	\$ 321,346	\$ 341,902	\$ 60,144,773	\$ 52,227,126

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$60.1 million at June 30, 2022.

By far the largest portion (approximately \$89.1 million) of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (over \$3.1 million) represents resources that are subject to external restrictions on how they may be used. These restricted funded decreased over \$10.4 million year-over-year due primarily to the outflows of resources reported in the school construction fund.

The remaining balance of *unrestricted net position* is in deficit by over \$32.0 million. As previously discussed, this is primarily the result of net OPEB and pension liabilities, which will continue to be significant on an annual basis.

The following table presents the condensed comparative statements of activities for the two most recent fiscal years:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,810,757	\$ 4,636,059	\$ 169,096	\$ 167,416	\$ 4,979,853	\$ 4,803,475
Operating grants and contributions	14,631,123	16,368,174	-	-	14,631,123	16,368,174
Capital grants and contributions	4,467,672	15,374,686	-	-	4,467,672	15,374,686
General revenues:						
Property taxes	34,917,472	32,197,550	-	-	34,917,472	32,197,550
Intergovernmental	1,500,437	1,291,919	-	-	1,500,437	1,291,919
Other	4,203,673	4,173,241	-	-	4,203,673	4,173,241
Total revenues	<u>64,531,134</u>	<u>74,041,629</u>	<u>169,096</u>	<u>167,416</u>	<u>64,700,230</u>	<u>74,209,045</u>
<u>Expenses</u>						
General government	4,757,165	4,998,066	-	-	4,757,165	4,998,066
Public safety	10,847,485	11,534,401	-	-	10,847,485	11,534,401
Education	33,651,494	33,605,972	-	-	33,651,494	33,605,972
Public works	2,818,025	3,862,156	-	-	2,818,025	3,862,156
Health and human services	2,108,408	1,779,975	-	-	2,108,408	1,779,975
Culture and recreation	819,880	721,772	-	-	819,880	721,772
Community preservation	30,191	1,201,041	-	-	30,191	1,201,041
Debt service	1,560,283	1,297,640	-	-	1,560,283	1,297,640
Harbormaster and waterways	-	-	189,652	235,977	189,652	235,977
Total expenses	<u>56,592,931</u>	<u>59,001,023</u>	<u>189,652</u>	<u>235,977</u>	<u>56,782,583</u>	<u>59,237,000</u>
Change in net position	7,938,203	15,040,606	(20,556)	(68,561)	7,917,647	14,972,045
Net position, beginning of year	<u>51,885,224</u>	<u>36,844,618</u>	<u>341,902</u>	<u>410,463</u>	<u>52,227,126</u>	<u>37,255,081</u>
Net position, end of year	<u>\$ 59,823,427</u>	<u>\$ 51,885,224</u>	<u>\$ 321,346</u>	<u>\$ 341,902</u>	<u>\$ 60,144,773</u>	<u>\$ 52,227,126</u>

Governmental Activities – Total revenues decreased over \$9.5 million, or nearly 13%, in fiscal year 2022 in the Town’s governmental activities. This decrease was due primarily to a decrease in state MSBA revenue received related to the new construction of the Junior/Senior High School construction project of nearly \$11.7 million in capital grants and contributions. This represented over 6.9% of total fiscal year 2022 revenues, compared to 20.8% in the prior year.

Operating grants and contributions decreased over \$1.7 million mainly due to decrease funding in federal COVID-19 reimbursements that were received in prior year. This represented approximately 22.7% of total fiscal year 2022 revenues, compared to 22.1% in the prior year.

Property tax revenues continues to be the largest source of Town revenues. Property tax revenues increased over \$2.7 million, or 8.4%, year-over-year. The increase over the statutory allowed increase of 2 ½% was related primarily to new growth and debt exclusions. As a percentage of total revenues, property taxes increased to over 54.1% in fiscal year 2022 versus 43.5% in the prior year. This increase was due almost entirely to the effect the decrease in capital grants and contributions revenues.

No other revenues were greater than 10% of total governmental activities in fiscal years 2022 or 2021.

The Town’s largest expense category is education, which the Town continues to devote substantial resources. Education expenses remained consistent year-over-year. Education expenses totaled approximately 59.5% and 57.0% total fiscal year 2022 and 2021 expenses, respectively.

Public safety expenses had a modest decrease of \$0.7 million from the prior year and represented approximately 19% of total expenses in both fiscal year 2022 and 2021.

No other expense categories were greater than 10% of total expenses in fiscal years 2022 or 2021.

Business-Type Activities – Revenues and expenses in the Town’s harbormaster and waterways enterprise fund were consistent with the prior year.

Financial Analysis of the Government’s Funds

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

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

As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance of over \$8.8 million, a reduction of approximately \$9.5 million when compared to the prior year. The majority of this decrease was related to construction output in the school construction major fund.

General Fund – The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund approached \$4.0 million, while the total fund balance in the general fund was approximately \$7.9 million. As a measure of the general fund’s liquidity, it may be useful to compare its unassigned fund balance and total fund balance to total general fund expenditures. The unassigned fund balance represents approximately 8.0% of total fiscal year 2022 general fund expenditures, while its total fund balance represents approximately 15.8% of that same amount.

The fund balance in the general fund increased nearly \$1.2 million year-over-year due to the Town’s planned conservative spending in the current pandemic and economic market.

Community Preservation Fund – The total fund balance in the Town’s community preservation fund increased over \$0.9 million in fiscal year 2022 to over \$1.7 million. This was attributed to the Town not spending money on current year projects and, instead, increasing the fund to allocate towards future year projects.

School Construction Fund – The Town began reporting the financial activity related to its construction of a new Junior/Senior High School in this newly created major governmental fund in fiscal year 2020. The Town reported over \$13.7million in outflows related to construction which was the primary contributor for the nearly \$10.1 million decrease in fund balance.

Capital Projects Fund – The fund balance in the Town’s capital projects fund decreased nearly \$0.4 million year-over-year. This decrease was due primarily to a new school roof project that will be bonded in a future year.

Nonmajor Governmental Funds – The fund balance in the Town’s nonmajor governmental funds remained consistent at \$7.9 million in the current year. This was just a small decrease from the prior year balance of \$8.2 million.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the harbor and waterways fund was approximately \$0.3 million which is consistent with prior year balance.

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 statement 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. The Town’s fiduciary funds include the OPEB trust and private purpose trust funds.

General Fund Budgetary Highlights

Differences between the original operating budget and the final amended operating budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2022 totaled over \$160.8 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment. Net capital assets increased nearly \$14.3 million year-over-year as current year additions exceeded depreciation expense primarily due to school construction outlay.

Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt – At the end of the current fiscal year, the Town reported total long-term debt outstanding of nearly \$59.1 million, which was entirely for governmental activities. The Town’s total long-term debt decreased over \$2.0 million during the fiscal year. This was mainly attributed to regular scheduled paydowns of debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% of its total assessed valuation. The current debt limitation for the Town is approximately \$202 million, which is significantly in excess of the Town’s outstanding general obligation debt.

The Town maintains a rating from Moody’s Investor Service. The latest rating is an Aa3 credit rating to the Town’s long-term general obligation debt, which is its fourth highest rating and is considered good credit quality with low risk.

Additional information on the Town’s debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

- State aid for fiscal year 2023 is expected to increase by \$0.5 million from the prior year.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise approximately 92% of the Town's real estate tax base for fiscal 2022. Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town maintains "rainy-day funds" in the form of stabilization funds, which at June 30, 2022 totaled approximately \$1,345,000.
- The Town's certified free cash at July 1, 2022 was approximately \$2,150,000, which may be appropriated at Town Meeting.
- Inflation is peaking near 40-year historic highs. This is having adverse impacts on the Town. Wage inflation cannot guarantee that the Town will be able to maintain employees without increasing wages. Energy inflation is causing a spike in energy costs. Price inflation is causing a spike in the price of the delivery and cost of goods and services. The construction building index is nearing historic highs which may cause the estimates of major capital projects to increase, in addition to the financing costs of these projects. The Town continues to monitor this situation.

The above items were considered when the Town accepted its budget for fiscal year 2023 in a June 2022 Town Meeting. The Town set its fiscal year 2023 tax rate on December 16, 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 816 Main Road, Westport, Massachusetts 02790.

TOWN OF WESTPORT, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 22,731,260	\$ 85,834	\$ 22,817,094
Investments	4,885,613	-	4,885,613
Receivables, net of allowance for uncollectibles:			
Property taxes	1,377,070	-	1,377,070
Departmental and other	1,370,781	-	1,370,781
Intergovernmental	2,244,805	-	2,244,805
User charges	7,605	-	7,605
Capital assets, not being depreciated	104,987,138	13,492	105,000,630
Capital assets, net of accumulated depreciation	55,499,706	354,504	55,854,210
Total Assets	193,103,978	453,830	193,557,808
Deferred Outflows of Resources:			
Related to net pension liability	5,661,549	14,189	5,675,738
Related to net other postemployment benefits liability	409,924	1,049	410,973
Total Deferred Outflows of Resources	6,071,473	15,238	6,086,711
Liabilities:			
Warrants and accounts payable	1,663,344	5,782	1,669,126
Accrued payroll and withholdings	2,768,739	-	2,768,739
Other liabilities	1,312,275	-	1,312,275
Retainage	1,028,029	-	1,028,029
Unearned revenue	1,046,337	-	1,046,337
Short-term notes payable	13,306,500	-	13,306,500
Noncurrent liabilities:			
Due within one year	2,470,608	-	2,470,608
Due in more than one year	105,488,637	115,927	105,604,564
Total Liabilities	129,084,469	121,709	129,206,178
Deferred Inflows of Resources:			
Related to net pension liability	4,942,712	12,388	4,955,100
Related to net other postemployment benefits liability	5,324,843	13,625	5,338,468
Total Deferred Inflows of Resources	10,267,555	26,013	10,293,568
Net Position:			
Net investment in capital assets	88,690,675	367,996	89,058,671
Restricted for:			
Nonexpendable permanent funds	1,414,102	-	1,414,102
Expendable permanent funds	2,070,523	-	2,070,523
Community preservation	1,716,226	-	1,716,226
Federal and state grants	604,254	-	604,254
Other purposes	(2,686,995)	-	(2,686,995)
Unrestricted	(31,985,358)	(46,650)	(32,032,008)
Total Net Position	\$ 59,823,427	\$ 321,346	\$ 60,144,773

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 4,757,165	\$ 529,584	\$ 929,119	\$ 366,978	\$ (2,931,484)		\$ (2,931,484)
Public safety	10,847,485	2,157,826	461,236	-	(8,228,423)		(8,228,423)
Education	33,651,494	905,927	12,000,330	2,834,625	(17,910,612)		(17,910,612)
Public works	2,818,025	719,439	196,195	1,266,069	(636,322)		(636,322)
Health and human services	2,108,408	335,574	495,997	-	(1,276,837)		(1,276,837)
Culture and recreation	819,880	162,407	279,164	-	(378,309)		(378,309)
Community preservation	30,191	-	269,082	-	238,891		238,891
Interest	1,560,283	-	-	-	(1,560,283)		(1,560,283)
Total Governmental Activities	56,592,931	4,810,757	14,631,123	4,467,672	(32,683,379)		(32,683,379)
Business-Type Activities:							
Harbormaster and waterways	189,652	169,096	-	-		\$ (20,556)	(20,556)
Total Primary Government	\$ 56,782,583	\$ 4,979,853	\$ 14,631,123	\$ 4,467,672			(32,703,935)
General Revenues:							
					34,917,472	-	34,917,472
						-	
					1,500,437	-	1,500,437
					3,671,063	-	3,671,063
					447,338	-	447,338
					85,272	-	85,272
					-	-	-
					40,621,582	-	40,621,582
					7,938,203	(20,556)	7,917,647
Net Position:							
					51,885,224	341,902	52,227,126
					\$ 59,823,427	\$ 321,346	\$ 60,144,773

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Community Preservation Fund	School Construction Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 10,008,482	\$ 1,716,871	\$ 4,063,161	\$ 1,232,815	\$ 5,709,931	\$ 22,731,260
Investments	2,094,681	-	-	-	2,790,932	4,885,613
Receivables, net of allowance for uncollectibles						
Property taxes	1,354,645	22,425	-	-	-	1,377,070
User charges	-	-	-	-	7,605	7,605
Departmental and other	518,345	-	-	-	852,436	1,370,781
Intergovernmental	-	-	347,397	-	1,897,408	2,244,805
Total Assets	13,976,153	1,739,296	4,410,558	1,232,815	11,258,312	32,617,134
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 13,976,153	\$ 1,739,296	\$ 4,410,558	\$ 1,232,815	\$ 11,258,312	\$ 32,617,134
Liabilities:						
Warrants and account payable	\$ 289,216	\$ 596	\$ 88,629	\$ 821,022	\$ 463,881	\$ 1,663,344
Accrued payroll and withholdings	2,730,551	22	-	-	38,166	2,768,739
Retainage payable	-	-	978,899	49,130	-	1,028,029
Other liabilities	1,312,275	-	-	-	-	1,312,275
Unearned revenue	4,102	27	-	-	1,042,208	1,046,337
Short-term notes payable	-	-	9,945,000	2,361,500	1,000,000	13,306,500
Total Liabilities	4,336,144	645	11,012,528	3,231,652	2,544,255	21,125,224
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	1,252,617	22,425	-	-	-	1,275,042
Unavailable revenues - other	518,345	-	-	-	860,041	1,378,386
Total Deferred Inflows of Resources	1,770,962	22,425	-	-	860,041	2,653,428
Fund Balances:						
Nonspendable	-	-	-	-	1,414,102	1,414,102
Restricted	18,501	1,716,226	-	834,883	6,439,914	9,009,524
Committed	1,088,846	-	-	-	-	1,088,846
Assigned	2,803,874	-	-	-	-	2,803,874
Unassigned	3,957,826	-	(6,601,970)	(2,833,720)	-	(5,477,864)
Total Fund Balances	7,869,047	1,716,226	(6,601,970)	(1,998,837)	7,854,016	8,838,482
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 13,976,153	\$ 1,739,296	\$ 4,410,558	\$ 1,232,815	\$ 11,258,312	\$ 32,617,134

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances		\$ 8,838,482
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		160,486,844
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		2,653,428
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net pension liability	5,661,549	
Deferred inflows related to net pension liability	(4,942,712)	
Deferred outflows related other postemployment benefits	409,924	
Deferred inflows related to net other postemployment benefits liability	<u>(5,324,843)</u>	
Net effect of reporting deferred outflows and inflows of resources		(4,196,082)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Bonds and notes payable	(59,098,997)	
Unamortized bond premiums	(2,569,982)	
Capital lease obligations	(213,666)	
Net other postemployment benefits liability	(22,454,327)	
Net pension liability	(23,330,805)	
Compensated absences	<u>(291,468)</u>	
Net effect of reporting long-term liabilities		<u>(107,959,245)</u>
Net Position of Governmental Activities		<u>\$ 59,823,427</u>

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Community Preservation Fund	School Construction Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net	\$ 34,309,252	\$ 675,348	\$ -	\$ -	\$ -	\$ 34,984,600
Intergovernmental	10,275,638	269,082	2,700,740	133,885	6,620,030	19,999,375
Motor vehicle and other excises	3,819,531	-	-	-	-	3,819,531
License and permits	622,894	-	-	-	-	622,894
Departmental and other revenue	1,207,491	-	85,726	-	2,707,551	4,000,768
Penalties and interest on taxes	447,338	-	-	-	-	447,338
Fines and forfeitures	139,420	-	-	-	-	139,420
Investment income and unrealized gains (losses)	15,198	2,169	-	-	67,905	85,272
Contributions and donations	-	-	-	13,400	586,457	599,857
Total Revenues	50,836,762	946,599	2,786,466	147,285	9,981,943	64,699,055
Expenditures:						
Current:						
General government	2,964,754	-	-	16,059	652,328	3,633,141
Public safety	6,284,113	-	-	-	1,464,646	7,748,759
Education	22,152,777	-	13,714,300	1,020,594	4,657,905	41,545,576
Public works	1,406,903	-	-	-	2,010,034	3,416,937
Health and human services	999,064	-	-	-	674,839	1,673,903
Culture and recreation	343,300	-	-	-	288,885	632,185
Community preservation	-	30,191	-	-	-	30,191
Pension and other fringe benefits	9,946,940	-	-	-	-	9,946,940
State and county tax assessments	1,765,113	-	-	-	-	1,765,113
Debt service:						
Principal	2,035,557	-	-	-	-	2,035,557
Interest	1,770,698	-	-	-	-	1,770,698
Total Expenditures	49,669,219	30,191	13,714,300	1,036,653	9,748,637	74,199,000
Excess (Deficiency) of Revenues over Expenditures	1,167,543	916,408	(10,927,834)	(889,368)	233,306	(9,499,945)
Other Financing Sources (Uses):						
Transfers in	633,961	-	-	590,000	-	1,223,961
Transfers out	(590,000)	-	-	(79,881)	(554,080)	(1,223,961)
Total Other Financing Sources (Uses)	43,961	-	-	510,119	(554,080)	-
Net Change in Fund Balances	1,211,504	916,408	(10,927,834)	(379,249)	(320,774)	(9,499,945)
Fund Balances - Beginning of year	6,657,543	799,818	4,325,864	(1,619,588)	8,174,790	18,338,427
Fund Balances - End of year	\$ 7,869,047	\$ 1,716,226	\$ (6,601,970)	\$ (1,998,837)	\$ 7,854,016	\$ 8,838,482

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022**

	Total
Net Change in Fund Balances - Total Governmental Fund Balances	\$ (9,499,945)
<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 reported as depreciation expense. The net amounts are reflected here as reconciling items:</p>	
Capital outlays	16,865,727
Depreciation expense	(2,545,030)
Net effect of reporting capital assets	14,320,697
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:</p>	
Issuance of general obligation debt	-
Proceeds from issuance premiums on debt issuance	-
Amortization of premiums	210,415
Repayments of capital leases	101,428
Repayments of debt	2,035,557
Net effect of reporting long-term debt	2,347,400
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balance. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue.</p>	
	(167,921)
<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 the governmental funds:</p>	
Compensated absences	19,116
Other postemployment benefits	1,254,781
Net pension benefits	(335,925)
Net effect of reporting long-term liabilities	937,972
Change in Net Position of Governmental Activities	\$ 7,938,203

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2022

	<u>Business-Type Activities Enterprise Fund Harbormaster and Waterways</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 85,834
User fees receivable	<u>-</u>
Total current assets	<u>85,834</u>
Noncurrent assets:	
Capital assets, not being depreciated	13,492
Capital assets, net of accumulated depreciation	<u>354,504</u>
Total noncurrent assets	<u>367,996</u>
Total Assets	<u>453,830</u>
Deferred Outflows of Resources:	
Related to net pension liability	14,189
Related to net other postemployment benefits liability	<u>1,049</u>
Total Deferred Outflows Of Resources	<u>15,238</u>
Liabilities:	
Current liabilities:	
Warrants and accounts payable	<u>5,782</u>
Total current liabilities	<u>5,782</u>
Noncurrent liabilities:	
Net other postemployment benefits liability	57,454
Net pension liability	<u>58,473</u>
Total noncurrent liabilities	<u>115,927</u>
Total Liabilities	<u>121,709</u>
Deferred Inflows of Resources	
Related to net pension liability	12,388
Related to net other postemployment benefits liability	<u>13,625</u>
Total Deferred Inflows Of Resources	<u>26,013</u>
Net Position:	
Net Investment in capital assets	367,996
Unrestricted	<u>(46,650)</u>
Total Net Position	<u>\$ 321,346</u>

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Business-Type Activities Enterprise Fund Harbormaster and Waterways</u>
Operating Revenues:	
Charges for services	\$ 169,096
Total Operating Revenues	<u>169,096</u>
Operating Expenses:	
Personnel costs	101,031
Operating costs	33,430
Depreciation	<u>55,191</u>
Total Operating Expenses	<u>189,652</u>
Operating Loss	(20,556)
Change in Net Position	<u>(20,556)</u>
Total Net Position - Beginning of the year	<u>341,902</u>
Total Net Position - End of the year	<u><u>\$ 321,346</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022**

	Business-Type Activities <u>Enterprise Fund</u> <u>Harbormaster and</u> <u>Waterways</u>
Cash Flows From Operating Activities:	
Receipts from users	\$ 169,144
Payments to employees and vendors	<u>(136,817)</u>
Net Cash Used in Operating Activities	<u>32,327</u>
Change in Cash and Cash Equivalents	32,327
Cash and Cash Equivalents:	
Beginning of year	<u>53,507</u>
End of year	<u><u>\$ 85,834</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (20,556)
Depreciation expense	55,191
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Deferred outflows of resources	3,242
Liabilities	(10,212)
Deferred inflows of resources	<u>4,614</u>
Net Cash Used in Operating Activities	<u><u>\$ 32,327</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Assets:		
Cash and cash equivalents	\$ 13,463	\$ -
Investments	-	130,858
Bond mutual funds	991,447	-
Equity mutual funds	<u>2,222,995</u>	<u>-</u>
Total Assets	<u>3,227,905</u>	<u>130,858</u>
Net Position:		
Restricted for other postemployment benefits	3,227,905	-
Held in trust for other purposes	<u>-</u>	<u>130,858</u>
Total Net Position	<u><u>\$ 3,227,905</u></u>	<u><u>\$ 130,858</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

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

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 1,094,179	\$ -
Other donations	-	7,500
Total contributions	1,094,179	7,500
Investment income:		
Investment income (loss)	(603,072)	(646)
Total Additions	491,107	6,854
Deductions:		
Life and health insurance premiums paid for retirees	1,044,179	-
Scholarships and assistance	-	7,000
Health and human services	-	2,500
Total Deductions	1,044,179	9,500
Change in Net Position	(553,072)	(2,646)
Net Position - Beginning of the Year	3,780,977	133,504
Net Position - End of the Year	\$ 3,227,905	\$ 130,858

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Westport, Massachusetts (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town, which is located in Bristol County, was incorporated as a town in 1878. The Town is governed by a five-member elected Board of Selectmen. The Town Administrator oversees the daily executive and administrative duties of the Town. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades kindergarten to twelve, water services, street maintenance, parks and recreational facilities. The Town also operates the Harbor and Waterways whose operations are funded entirely through user charges.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund Financial Statements

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), and

- 2) The total assets and deferred outflows of financial resources, liabilities and deferred inflows of financial resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding elements for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are propriety funds. Under this method, revenues are recorded when earned and expenses are recorded when incurred, regardless the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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*. The effect of material interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In the first, monies must be expended for a specific purpose or project before any amounts will be paid; therefore, revenues are recognized as expenditures are incurred. In the second, monies are virtually unrestricted and are usually revocable for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the "Commonwealth").

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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

Community Preservation Fund – is used to account for funds received in accordance with the state Community Preservation Act. Funds are used to acquire or develop open space and recreational facilities, historic resources and affordable housing.

School Construction Fund – is used to account for the construction of the Westport Junior/Senior High School.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

The nonmajor governmental funds consists of special revenue and permanent funds that are aggregated and presented in the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports its *Harbor and Waterways* activities as a proprietary fund.

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

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits (“OPEB”) for retirees such as health and life insurance.

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water user fees may be secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental funds financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-progress) are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25 to 40 years
Machinery and equipment	5 years
Vehicles	5 years
Infrastructure	40 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the permanent funds is retained in the permanent funds. Investment income of the proprietary funds is voluntarily assigned to the general fund.

Compensated Absences – It is the Town’s policy to not permit employees to accumulate earned but unused vacation benefits beyond their annual contract date, which falls on June 30. Hourly employees who have been employed at least ten years are eligible to buy back 25% of their accumulated sick leave. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

Long-Term Debt – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental funds financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two types of items that qualifies for reporting as a deferred outflow reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and net OPEB liability. These deferred outflows of resources are expected to be amortized into expense over the next five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In its government-wide statement of net position, the Town reports deferred outflows related to its net pension and OPEB liabilities, which are expected to be recognized as a reduction to pension expense within the next five years. In its governmental funds financial statements, the Town reports certain unavailable revenue as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net positions are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing.

Federal and state grants represent assets that have restrictions placed on them from federal and state *granting* agencies.

Other purposes represent assets that are restricted by grantors, donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Town has by ordinance authorized the Town Administrator to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

E. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and cash equivalents. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in preapproved investment instruments, which include, but are not limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements and State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's investment policy does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2022, the carrying amount of deposits totaled \$22,830,557 while the bank balance totaled \$17,082,784. The full bank balance was covered by federal depository insurance, other depositors' insurance or third-party collateralization.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Town's investments are registered in its name and cannot be pledged or assigned. The Town is not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the Town's investments carried at fair value on a recurring basis at June 30, 2022:

Investments by Fair Value Level	June 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Money market	\$ 1,278,302	\$ 1,278,302	\$ -	\$ -
Debt securities:				
U.S. Government obligations	1,212,662	1,212,662	-	-
Corporate bonds	1,288,432	1,288,432	-	-
Negotiable certificates of deposit	230,488	-	230,488	-
Total debt securities	2,731,582	2,501,094	230,488	-
Equity securities	2,222,994	2,222,994	-	-
Mutual funds	1,998,035	1,998,035	-	-
Total equity securities	4,221,029	4,221,029	-	-
Total investments at fair value	\$ 8,230,913	\$ 8,000,425	\$ 230,488	\$ -

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. No issuer represents more than 5% of the Town’s total investments.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment, particularly fixed income securities. The Town manages the duration of its fixed income investments to better mitigate interest rate risk.

The following table presents the Town’s investments with maturities at June 30, 2022:

Investments	Fair Value	Time Until Maturity (in years)		
		Less than 1	1 to 5	6 to 10
Debt securities:				
U.S. Government obligations	\$ 1,212,662	\$ 491,686	\$ 675,428	\$ 45,548
Corporate bonds	1,288,432	-	1,288,432	-
Negotiable certificates of deposit	230,488	157,572	72,916	-
Total investments with maturities	2,731,582	\$ 649,258	\$ 2,036,776	\$ 45,548
Other investments:				
Equity securities	1,998,035			
Equity mutual funds	2,222,994			
Bond mutual funds	-			
Money market mutual funds	1,278,302			
Total Investments	\$ 8,230,913			

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has not adopted a formal policy relative to credit risk. However, Massachusetts General Laws, or MGL, requires the Town Treasurer to invest Town funds in preapproved investments. In addition, the statutes impose various limitations on the amount and length of investments and deposits. The following table summarizes the credit rating assigned by Moody’s Investors Service (“Moody’s”) to the Town’s fixed income investments at June 30, 2022:

Quality Ratings (Moody’s)	Investment Type		
	U.S. Government Obligations	Corporate Bonds	Negotiable Certificates of Deposit
Aaa	\$ 1,212,662	\$ -	\$ -
A1	-	118,272	-
A2	-	284,326	-
Baa1	-	475,983	-
Baa2	-	409,851	-
Not rated	-	-	230,488
	\$ 1,212,662	\$ 1,288,432	\$ 230,488

B. Receivables

Receivables at June 30, 2022 for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 568,898	\$ -	\$ 568,898
Tax liens and foreclosures	785,747	-	785,747
Community preservation surcharges	22,425	-	22,425
User charges	7,605	-	7,605
Motor vehicle and other excise taxes	467,016	-	467,016
Ambulance fees	51,329	-	51,329
Septic betterments	852,436	-	852,436
Intergovernmental	2,244,805	-	2,244,805
	<u>\$ 5,000,261</u>	<u>\$ -</u>	<u>\$ 5,000,261</u>

Receivables at June 30, 2022 for the Town’s proprietary fund consisted of user charges receivable and were not significant.

Governmental funds report unavailable revenue as a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current accounting period. The following table identifies the components of unavailable revenues at June 30, 2022 in the governmental funds:

	General Fund	Other Governmental Funds	Total
Real estate and personal property taxes	\$ 466,870	\$ 10,868	\$ 477,738
Tax liens and foreclosures	785,747	11,557	797,304
User charges	-	7,605	7,605
Motor vehicle and other excise taxes	467,016	-	467,016
Ambulance fees	51,329	-	51,329
Septic betterments	-	852,436	852,436
	<u>\$ 1,770,962</u>	<u>\$ 882,466</u>	<u>\$ 2,653,428</u>

School Building Assistance Reimbursement – In fiscal year 2018, the Town executed a new school construction agreement with the Massachusetts School Building Authority (“MSBA”) related to the Town’s construction of a new Junior/Senior High School. Under the terms of this agreement, the Town is eligible for reimbursements of approximately 50% of eligible school construction costs up to a maximum reimbursement of approximately \$38.1 million. The Town received approximately \$2.7 million in reimbursements from the MSBA in fiscal year 2022 and recorded an additional \$347,397 in receivables from the MSBA at June 30, 2022 related to this agreement. These amounts are reported in the Town’s school construction fund.

C. Interfund Transfers

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

Transfers Out	Transfers In		
	General Fund	Capital Projects Fund	Total
General Fund	\$ -	\$ 590,000	\$ 590,000 (1)
Capital Projects Fund	79,881	-	79,881 (2)
Nonmajor Governmental Funds	554,080	-	554,080 (3)
	<u>\$ 633,961</u>	<u>\$ 590,000</u>	<u>\$ 1,223,961</u>

- (1) Transfer to capital projects fund for BAN paydown
- (2) Police Station Capital close out to general fund
- (3) Transfers to general to supplement current year budget.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 12,714,290	\$ 13,400	\$ -	\$ 12,727,690
Construction in-progress	77,676,568	14,582,880	-	92,259,448
Total capital assets not being depreciated	90,390,858	14,596,280	-	104,987,138
Capital assets being depreciated:				
Buildings and improvements	44,911,341	-	-	44,911,341
Infrastructure	54,677,158	2,165,393	-	56,842,551
Machinery and equipment	5,811,068	71,380	-	5,882,448
Vehicles	8,299,458	32,675	-	8,332,133
Total capital assets being depreciated	113,699,025	2,269,448	-	115,968,473
Less accumulated depreciation for:				
Buildings and improvements	(21,430,391)	(779,597)	-	(22,209,988)
Infrastructure	(25,294,777)	(1,083,071)	-	(26,377,848)
Machinery and equipment	(4,228,745)	(322,381)	-	(4,551,126)
Vehicles	(6,969,823)	(359,982)	-	(7,329,805)
Total accumulated depreciation	(57,923,736)	(2,545,031)	-	(60,468,767)
Total capital assets being depreciated, net	55,775,289	(275,583)	-	55,499,706
Governmental activities capital assets, net	<u>\$ 146,166,147</u>	<u>\$ 14,320,697</u>	<u>\$ -</u>	<u>\$ 160,486,844</u>

Business-Type Activities:

Capital assets not being depreciated:

Land	\$ 13,492	\$ -	\$ -	\$ 13,492
Total capital assets not being depreciated	<u>13,492</u>	<u>-</u>	<u>-</u>	<u>13,492</u>

Capital assets being depreciated:

Improvement other than buildings	884,799	-	-	884,799
Machinery and equipment	194,196	-	-	194,196
Vehicles	<u>103,852</u>	<u>-</u>	<u>-</u>	<u>103,852</u>
Total capital assets being depreciated	<u>1,182,847</u>	<u>-</u>	<u>-</u>	<u>1,182,847</u>

Less accumulated depreciation for:

Improvement other than buildings	(621,802)	(29,291)	-	(651,093)
Machinery and equipment	(60,688)	(16,104)	-	(76,792)
Vehicles	<u>(90,662)</u>	<u>(9,796)</u>	<u>-</u>	<u>(100,458)</u>

Total accumulated depreciation	<u>(773,152)</u>	<u>(55,191)</u>	<u>-</u>	<u>(828,343)</u>
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Total capital assets being depreciated, net	<u>409,695</u>	<u>(55,191)</u>	<u>-</u>	<u>354,504</u>
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Business activities capital assets, net	<u>\$ 423,187</u>	<u>\$ (55,191)</u>	<u>\$ -</u>	<u>\$ 367,996</u>
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Depreciation expense in the governmental activities was charged to the function/programs in fiscal year 2022 as follows:

General government	\$ 110,616
Public safety	736,213
Education	377,252
Public works	1,244,646
Health and human services	22,918
Culture and recreation	<u>53,386</u>
	<u>\$ 2,545,031</u>

E. Short-Term/Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANs”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds.

The following summarizes the activity in temporary debt for fiscal year 2022:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
BAN	0.64%	Matured	\$ 281,500	\$ -	\$ (281,500)	\$ -
BAN	1.00%	Matured	996,668	-	(996,668)	-
BAN	0.38%	Matured	1,375,000	-	(1,375,000)	-
Prom. Note	3.00%	Matured	298,335	-	(298,335)	-
MCWT	0.00%	Matured	-	-	-	-
MCWT	0.00%	12/1/2022	500,000	-	-	500,000
BAN	0.38%	9/9/2022	-	201,500	-	201,500
BAN	0.52%	1/13/2022	-	1,095,000	-	1,095,000
BAN	1.60%	6/10/2023	-	1,065,000	-	1,065,000
BAN	1.00%	8/3/2022	-	9,945,000	-	9,945,000
MCWT	0.00%	1/1/2025	-	500,000	-	500,000
Total Short-Term Notes Payable			<u>\$ 3,451,503</u>	<u>\$ 12,806,500</u>	<u>\$ (2,951,503)</u>	<u>\$ 13,306,500</u>

Temporary debt issued and outstanding at June 30, 2022 was issued for the following projects:

Project	Amount Outstanding
School roof project	\$ 1,065,000
Campground purchase	695,000
Land preservation	201,500
Land acquisitions	400,000
Clean water projects	1,000,000
New Junior/Senior School construction	9,945,000
	<u>\$ 13,306,500</u>

F. Long-Term Obligations

The Town issues general obligation bonds and notes as well as capital leases to provide funds for the acquisition and construction of major capital facilities, equipment and projects. General obligation bonds and notes have been issued for governmental activities only. In addition, the Town incurs various other long-term obligations relative to personnel costs.

The long-term liabilities in the governmental activities will be liquidated by the general fund, while those in the business-type activities will be liquidated by the individual enterprise fund reporting the long-term liabilities.

The following reflects the changes in long-term liabilities' balances for the fiscal year:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 60,580,000	\$ -	\$ (2,005,000)	\$ 58,575,000	\$ 2,060,000
Notes from direct borrowings and placements	554,554	-	(30,557)	523,997	30,787
Unamortized bond premium	2,780,397	-	(210,414)	2,569,983	201,591
Capital lease obligations	315,094	-	(101,428)	213,666	105,363
Compensated absences	310,584	9,613	(28,730)	291,467	72,867
Net other postemployment benefits liability	22,578,211	6,455,741	(6,579,625)	22,454,327	-
Net pension liability	27,283,728	9,050,375	(13,003,298)	23,330,805	-
Total Governmental Activities	\$ 114,402,568	\$ 15,515,729	\$ (21,959,052)	\$ 107,959,245	\$ 2,470,608
<i>Business-Type Activities: Harbor</i>					
Net other postemployment benefits liability	\$ 57,771	\$ 16,518	\$ (16,835)	\$ 57,454	\$ -
Net pension liability	68,380	22,682	(32,589)	58,473	-
Total Business-Type Activities	\$ 126,151	\$ 39,200	\$ (49,424)	\$ 115,927	\$ -
Total Long-Term Obligations	\$ 114,528,719	\$ 15,554,929	\$ (22,008,476)	\$ 108,075,172	\$ 2,470,608

General obligation bonds and notes payable outstanding at June 30, 2022 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 5.00%	\$ 60,580,000	\$ -	\$ (2,005,000)	\$ 58,575,000
MCWT notes	0.00% - 2.00%	554,554	-	(30,557)	523,997
Total Governmental Activities		61,134,554	-	(2,035,557)	59,098,997
Add: unamortized bond premiums		2,780,397	-	(210,414)	2,569,983
Total Governmental Activities, net		\$ 63,914,951	\$ -	\$ (2,245,971)	\$ 61,668,980

Debt service requirements on long-term debt at June 30, 2022 were as follows:

<i>Governmental Activities</i>				
Year Ended	General Obligation Bonds		Direct Borrowings and Placements	
June 30,	Principal	Interest	Principal	Interest
2023	2,060,000	1,650,064	30,787	7,122
2024	2,115,000	1,564,125	31,021	6,754
2025	2,075,000	1,477,239	31,260	6,381
2026	2,135,000	1,394,952	31,505	6,003
2027	2,195,000	1,307,645	31,755	5,621
2028 - 2032	11,320,000	5,155,105	162,721	22,185
2033 - 2037	10,725,000	3,465,388	144,841	11,813
2038 - 2042	9,725,000	2,325,292	60,107	2,105
2043 - 2047	10,285,000	1,279,080	-	-
2048 - 2052	5,940,000	193,616	-	-
	\$ 58,575,000	\$ 19,812,506	\$ 523,997	\$ 67,984

At June 30, 2022, the Town had authorized but not yet issued long-term debt for the following:

Project	Amount Authorized	Issued/Retired Rescinded	Unissued
School construction	\$ 105,895,433	\$ 61,260,000	\$ 44,635,433
Land preservation trust	1,500,000	1,416,500	83,500
CWT Title V	1,000,000	-	1,000,000
Septic plan	350,000	-	350,000
Conservation - Angeline Brook	211,000	-	211,000
	\$ 108,956,433	\$ 62,676,500	\$ 46,279,933

F. Capital Lease Obligations

The Town is party to noncancellable leases for the purchase of two ambulances. For financial reporting purposes, these leases are accounted for as capital leases in the Town's governmental activities. The future minimum lease payments on these capital lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Fiscal Year Ended June 30,	Amount
2023	\$ 111,324
2024	111,325
Total minimum lease payments	222,649
Less: amounts representing interest	(8,983)
Present value of minimum lease payments	\$ 213,666

The ambulances purchased under these capital leases had historical costs of \$554,859 and accumulated depreciation of \$146,937 at June 30, 2022.

G. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2022 are detailed as follows:

	General	Community Preservation Fund	School Construction Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ -	\$ 1,414,102	\$ 1,414,102
Restricted:						
Federal and state grants	-	-	-	-	604,254	604,254
Gifts and donations	-	-	-	-	1,006,382	1,006,382
Revolving funds	-	-	-	-	2,758,755	2,758,755
Expendable trust funds	-	-	-	-	2,070,523	2,070,523
Capital outlay	-	-	-	834,883	-	834,883
Community preservation	-	1,716,226	-	-	-	1,716,226
Debt service	18,501	-	-	-	-	18,501
Committed:						
Town meeting articles	1,088,846	-	-	-	-	1,088,846
Assigned:						
Purchase orders	1,059,829	-	-	-	-	1,059,829
Charter School	44,727	-	-	-	-	44,727
Other purposes	100,376	-	-	-	-	100,376
Subsequent years' budget	1,598,942	-	-	-	-	1,598,942
Unassigned	3,957,826	-	(6,601,970)	(2,833,720)	-	(5,477,864)
	<u>\$ 7,869,047</u>	<u>\$ 1,716,226</u>	<u>\$ (6,601,970)</u>	<u>\$ (1,998,837)</u>	<u>\$ 7,854,016</u>	<u>\$ 8,838,482</u>

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The Town maintains two stabilization funds – general and capital. The general stabilization fund, which totaled \$1,298,792 at June 30, 2022, may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital stabilization fund, which totaled \$46,365 at June 30, 2022, also requires a two-thirds vote of Town Meeting to expend funds for municipal capital outlays. Both stabilization funds are reported in the Town's unassigned fund balance in the general fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (i) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator as assigned, and (ii) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately. The Town reports \$1,059,829 of encumbrances from normal purchasing activity in the general fund as assigned. The Town reports \$1,088,846 of encumbrances from Town Meeting votes in the general fund as committed. The Town does not report encumbrances in any other fund.

H. Excess of Expenditures Over Appropriations and Deficits

In fiscal year 2022, state and county tax assessments exceeded appropriations by \$143,940. This was funded from current year operations.

The Town reported deficits totaling \$2,833,720 in its capital projects fund and \$6,601,970 in the School Construction Major Fund at June 30, 2022. These deficits are expected to be funded from long-term debt issuance proceeds in future fiscal years.

III. Other Information

A. Retirement System

System Description – The Town contributes to the Bristol County Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Massachusetts General Laws (MGL) and is administered by the Bristol County Retirement Board (BCRB). Standalone audited financial statements for the year ended December 31, 2021 were issued and may be obtained by writing to the Bristol County Retirement System, 645 County Street, Taunton, MA, 02780.

Current membership in the System for all employers as of December 31, 2021, was as follows:

Retirees and beneficiaries currently receiving benefits	2,699
Inactive participants	872
Active participants	<u>3,384</u>
Total	<u><u>6,955</u></u>
Participating employers	40

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits

commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$3,060,552 to the System in fiscal year 2022, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 26.09% in fiscal year 2022.

Net Pension Liability – At June 30, 2022, the Town reported a liability of \$23,389,278 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022 and rolled back to a measurement date of December 31, 2021. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 6.45% at December 31, 2020.

Pension Expense – The Town recognized \$3,397,319 in net pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,086,912	\$ -
Changes of assumptions	3,431,467	-
Net differences between projected and actual earnings on pension plan investments	-	4,954,009
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>157,359</u>	<u>1,091</u>
	<u>\$ 5,675,738</u>	<u>\$ 4,955,100</u>

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

<u>Year Ended June 30,</u>	
2023	\$ 1,327,227
2024	359,636
2025	(348,052)
2026	(636,699)
2027	<u>18,526</u>
	<u>\$ 720,638</u>

Actuarial Valuation – The measurement of the System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022, which was rolled back to a measurement date of December 31, 2021. The significant actuarial assumptions used in the valuation for all periods were as follows:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Investment rate of return	7.35%, net of expenses (previously 7.5%)
Inflation rate	3.00%
Projected salary increases	3.00%
Cost of living adjustments	3.0% of the first \$18,000 of benefits
Mortality	RP-2014 table adjusted to 2006 and projected generationally with MP-2021 (gender distinct). Pre-retirement the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used.

For disabled retirees, mortality follows same table as non-disabled retirees set forward two years. Death is assumed to be due to same cause as disability, 40% of the time.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2020 actuarial valuation report was 7.35%, which is a reduction from the previous discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

The target allocations and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	22.00%	4.7%
International equities	11.00%	4.9%
Emerging market equities	11.00%	5.7%
Global REITs	2.00%	3.8%
Core fixed income	5.00%	0.3%
High yield fixed income	3.00%	2.2%
Emerging markets fixed income	4.00%	2.2%
Global fixed income	3.00%	0.2%
Private equity	12.00%	7.7%
Hedge funds	4.00%	2.5%
Real estate	11.00%	3.0%
Timber	3.00%	3.3%
Farmland	3.00%	4.9%
Infrastructure	6.00%	4.9%
Total	<u>100.00%</u>	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Discount Rate</u>			
	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability	7.35%	\$ 32,745,088	\$ 23,389,278	\$ 15,492,571

B. Massachusetts Teacher’s Retirement System

Teachers and certain administrative employees of the School Department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. The MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

For the year ended June 30, 2022, the Commonwealth contributed \$2,787,442 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was approximately 0.16%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town’s proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 36,199,434	\$ (36,199,434)	\$ —
Pension expense	2,904,854	(2,904,854)	—

The Town has recognized intergovernmental revenue and pension expense of \$2,904,854 associated with this arrangement.

C. Risk Financing

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in a health insurance risk pool administered by the Southeastern Massachusetts Health Group (the “Health Group”). The Health Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Health Group. In the event the Health Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

D. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2022, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

Active employees	394
Inactive employees	<u>343</u>
Total	<u><u>737</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute a variable portion of their post-retirement medical costs which vary by plan. The remainder of the cost is funded by general revenues of the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and annually anticipates contributing additional funding above that amount into the OPEB Trust Fund. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was approximately 4.30% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022, using an actuarial valuation as of July 1, 2022. The components of the net OPEB liability of the Town as of June 30, 2022 were as follows:

Total OPEB Liability	\$ 25,739,687
Plan fiduciary net position	<u>(3,227,905)</u>
Net OPEB liability	<u><u>\$ 22,511,782</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.5%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	Full prefunding: 7.5% per year, net of investment expenses
Discount rate	7.5%, net of OPEB plan investment expense including inflation
Inflation	2.00% annually
Healthcare trend rate	4.50% annually
Pre-retirement mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2015, fully generational
Post-retirement mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2015, fully generational
Disabled mortality	RP-2000 Mortality Table set forward six years for Group 1 and 2 and set forward two years for Group 4. Generational adjusting is based on Scale MP-2015.
Actuarial cost method	Projected Unit Credit. Benefits are attributed ratably to service from date of hire until full eligibility date. Full eligibility date is assumed to be first eligibility for retiree medical benefits.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. The rate reported of 7.5% in the current year represents the same as the prior year rate.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	25.75%	4.42%
Domestic Equity - Small/Mid Cap	13.00%	4.81%
International Developed Markets Equity	10.75%	4.91%
International Emerging Markets Equity	5.25%	5.58%
Domestic Fixed Income	33.25%	1.00%
International Fixed Income	6.50%	1.04%
Alternatives	5.25%	5.98%
Real Estate	0.00%	6.25%
Cash	0.25%	0.00%
	100.00%	

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Current Discount Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
7.50%	\$ 25,800,548	\$ 22,511,782	\$ 19,795,587

Current Healthcare Trend Rate	Net OPEB Liability At		
	1% Decrease	Current Rate	1% Increase
4.50%	\$ 19,290,946	\$ 22,511,782	\$ 26,507,288

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at July 1, 2021	\$ 26,416,959	\$ 3,780,977	\$ 22,635,982
Changes for the year:			
Service cost	670,254	-	670,254
Interest	1,991,160	-	1,991,160
Experience differences	(2,242,030)	-	(2,242,030)
Net investment income	-	(603,072)	603,072
Employer contributions	-	1,094,179	(1,094,179)
Administrative expenses	-	-	-
Benefit payments withdrawn from trust	-	(1,044,179)	1,044,179
Benefit payments	(1,096,656)	-	(1,096,656)
Net changes	(677,272)	(553,072)	(124,200)
Balances at June 30, 2022	\$ 25,739,687	\$ 3,227,905	\$ 22,511,782

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB expense of \$1,146,656. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected earnings	\$ 410,973	\$ -
Differences between actual and expected experience	-	5,338,468
Totals	\$ 410,973	\$ 5,338,468

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

<u>Year Ended June 30,</u>	
2023	\$ (1,987,307)
2024	(1,628,739)
2025	(914,053)
2026	(239,036)
2027	<u>(158,360)</u>
	<u>\$ (4,927,495)</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2022 the annual money-weighted rate of return on investments, net of investment expense, was -17.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2022, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

The Town is currently disputing certain water usage charges assessed to it by the City of Fall River dating back to fiscal 2014. At June 30, 2022 these charges were substantial. The Town asserts that these assessed charges should be eliminated as they do not relate to water usage by residents of the Town and more likely due to water use in annual flushing activities, coding errors and misapplication of payments. The Town engaged a consultant and completed an analysis dating back to 2014 to support their assertion. Currently, the City of Fall River is reviewing this analysis but as of the date of this report, no conclusion has been reached. Town management believes that the Town’s position is strong in this matter. Accordingly, no provision for loss is reported in these basic financial statements.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. Economic Dependence

During the fiscal year ended June 30, 2022, approximately 20.2% of total general fund revenues were recognized from the Commonwealth or other governmental agencies.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

TOWN OF WESTPORT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	6.45%	\$ 23,389,278	\$ 11,730,202	199.4%	71.6%
2021	6.27%	27,352,108	11,642,025	234.9%	65.2%
2020	6.21%	29,275,665	11,261,475	260.0%	61.2%
2019	6.15%	22,801,861	10,677,956	213.5%	63.5%
2018	6.15%	19,187,505	10,848,000	176.9%	68.6%
2017	6.15%	20,528,951	10,308,789	199.1%	64.2%
2016	6.15%	20,687,771	9,841,278	210.2%	63.0%
2015	6.55%	18,714,835	9,292,967	201.4%	67.1%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 3,060,552	\$ 3,060,552	-	\$ 11,730,202	26.1%
2021	2,828,252	2,828,252	-	11,642,025	24.3%
2020	2,603,565	2,603,565	-	11,261,475	23.1%
2019	2,407,959	2,407,959	-	10,677,956	22.6%
2018	2,315,199	2,315,199	-	10,848,000	21.3%
2017	2,265,333	2,265,333	-	10,308,789	22.0%
2016	2,126,255	2,126,255	-	9,841,278	21.6%
2015	1,933,971	1,933,971	-	9,292,967	20.8%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF WESTPORT, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2022

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM
(dollar amounts are in thousands)

	Year Ended June 30,							
	2022	2021	2020	2019	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF WESTPORT, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

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

	Year Ended June 30					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 670,254	\$ 641,391	\$ 704,972	\$ 674,614	\$ 645,564	\$ 625,746
Interest	1,991,160	1,879,411	2,264,209	2,142,355	2,373,897	1,399,498
Difference between expected and actual plan experience	(2,242,030)	-	(7,034,674)	-	(4,710,973)	-
Benefit payments	(1,096,656)	(1,024,010)	(979,914)	(1,456,700)	(1,393,971)	(1,599,732)
Net change in total OPEB liability	(677,272)	1,496,792	(5,045,407)	1,360,269	(3,085,483)	425,512
Total OPEB liability - beginning of year	26,416,959	24,920,167	29,965,574	28,605,305	31,690,788	31,265,276
Total OPEB liability - end of year (a)	<u>\$ 25,739,687</u>	<u>\$ 26,416,959</u>	<u>\$ 24,920,167</u>	<u>\$ 29,965,574</u>	<u>\$ 28,605,305</u>	<u>\$ 31,690,788</u>
Plan fiduciary net position:						
Contributions - employer	\$ 1,094,179	\$ 1,024,010	\$ 1,224,914	\$ 1,656,699	\$ 1,543,971	\$ 1,645,126
Net investment income	(603,072)	812,364	88,226	147,369	136,492	170,455
Benefit payments	(1,044,179)	(1,024,010)	(979,914)	(1,456,700)	(1,393,971)	(1,495,126)
Administrative expenses	-	-	(9,329)	(4,132)	(8,834)	-
Net change in Plan fiduciary net position	(553,072)	812,364	323,897	343,236	277,658	320,455
Plan fiduciary net position - beginning of year	3,780,977	2,968,613	2,644,716	2,301,480	2,023,822	1,703,367
Plan fiduciary net position - end of year (b)	<u>\$ 3,227,905</u>	<u>\$ 3,780,977</u>	<u>\$ 2,968,613</u>	<u>\$ 2,644,716</u>	<u>\$ 2,301,480</u>	<u>\$ 2,023,822</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 22,511,782</u>	<u>\$ 22,635,982</u>	<u>\$ 21,951,554</u>	<u>\$ 27,320,858</u>	<u>\$ 26,303,825</u>	<u>\$ 29,666,966</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.54%	14.31%	11.91%	8.83%	8.05%	6.39%
Covered payroll	\$ 24,309,223	\$ 23,150,692	\$ 22,367,818	\$ 22,027,764	\$ 22,027,764	\$ 21,282,864
Net OPEB liability as a percentage of covered payroll	92.61%	97.78%	98.14%	124.03%	119.41%	139.39%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report

TOWN OF WESTPORT, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	Year Ended June 30					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 2,661,414	\$ 2,520,802	\$ 2,520,802	\$ 2,816,969	\$ 3,019,461	\$ 2,025,244
Contributions in relation to the actuarially-determined contribution	<u>(1,044,179)</u>	<u>(977,057)</u>	<u>(1,179,982)</u>	<u>(1,656,699)</u>	<u>(1,543,971)</u>	<u>(1,645,126)</u>
Contribution deficiency (excess)	<u>\$ 1,617,235</u>	<u>\$ 1,543,745</u>	<u>\$ 1,340,820</u>	<u>\$ 1,160,270</u>	<u>\$ 1,475,490</u>	<u>\$ 380,118</u>
Covered payroll	\$24,309,223	\$ 23,150,692	\$22,027,764	\$22,027,764	\$21,282,864	\$ 21,325,986
Contribution as a percentage of covered payroll	4.30%	4.22%	5.36%	7.52%	7.25%	7.71%
Valuation Date	July 1, 2022					
Amortization Period	30 years					
Investment rate of return	7.50%					
Single Equivalent Discount Rate	7.50%					
Inflation	2.50%					
Healthcare cost trend rates	4.50%					
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)					
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)					

SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS

	Year Ended June 30					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-17.20%	24.10%	3.10%	5.96%	6.29%	7.75%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report

TOWN OF WESTPORT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances and Continuing Appropriations	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes, net	\$ 33,910,998	\$ 33,910,998	\$ 34,383,585		\$ 34,383,585	\$ 472,587
Intergovernmental	7,097,497	7,097,497	7,370,784		7,370,784	273,287
Motor vehicle and other excises	2,993,527	2,993,527	3,819,531		3,819,531	826,004
License and permits	775,000	775,000	622,894		622,894	(152,106)
Departmental and other revenue	1,587,369	1,587,369	1,207,491		1,207,491	(379,878)
Penalties and interest on taxes	260,000	260,000	447,338		447,338	187,338
Fines, fees and forfeitures	160,000	160,000	139,420		139,420	(20,580)
Investment income	100,000	100,000	20,654		20,654	(79,346)
Total Revenues	46,884,391	46,884,391	48,011,697		48,011,697	1,127,306
EXPENDITURES						
General government	4,052,577	4,230,954	2,980,049	\$ 896,699	3,876,748	354,206
Public safety	6,696,114	6,713,377	6,284,113	80,117	6,364,230	349,147
Education	24,722,632	24,727,522	21,878,272	2,841,387	24,719,659	7,863
Public works	1,688,187	1,735,581	1,406,903	141,766	1,548,669	186,912
Health and human services	1,211,705	1,212,214	999,064	74,535	1,073,599	138,615
Culture and recreation	348,828	348,828	343,300	605	343,905	4,923
Fringe benefits	7,440,880	7,284,629	7,059,674	108,072	7,167,746	116,883
State and county tax assessments	1,621,173	1,621,173	1,765,113	-	1,765,113	(143,940)
Debt service	4,614,618	4,614,618	4,569,665	-	4,569,665	44,953
Total Expenditures	52,396,714	52,488,896	47,286,153	4,143,181	51,429,334	1,059,562
OTHER FINANCING SOURCES (USES)						
Transfers in	628,885	648,385	741,844		741,844	93,459
Transfers out	(50,000)	(100,000)	(100,000)		(100,000)	-
Total Other Financing Sources (Uses)	578,885	548,385	641,844	-	641,844	93,459
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES						
	(4,933,438)	(5,056,120)	\$ 1,367,388	\$ (4,143,181)	\$ (2,775,793)	\$ 2,280,327
Other Budgetary Items:						
Undesignated surplus (free cash)	1,052,343	1,175,025				
Prior year encumbrances	3,881,095	3,881,095				
Total Other Budgetary Items	4,933,438	5,056,120				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.
See accompanying notes to required supplementary information.

TOWN OF WESTPORT, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

An annual budget is legally adopted for the Town’s general fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting, which generally takes place each May. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

The Town’s general fund is prepared on a basis other than GAAP. The “actual” results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. A reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 48,011,697
On-behalf payments	\$ 2,904,854	\$ -	2,904,854
Revenue recognition	(74,333)	-	(74,333)
Stabilization investment income	-	(5,456)	(5,456)
Revenues — GAAP basis	<u>\$ 2,830,521</u>	<u>\$ (5,456)</u>	<u>\$ 50,836,762</u>
Expenditures — budgetary basis			\$ 47,286,153
On-behalf payments	\$ 2,904,854	\$ -	2,904,854
Expense recognition	101,095	-	101,095
Transfer treatment - short-term notes funding	-	(590,000)	(590,000)
Transfer treatment - indirect costs	-	(32,883)	(32,883)
Expenditures — GAAP basis	<u>\$ 3,005,949</u>	<u>\$ (622,883)</u>	<u>\$ 49,669,219</u>
Other Financing Sources (Uses) — budgetary basis			\$ 641,844
Stabilization transfers	\$ -	\$ 25,000	25,000
Transfer treatment - short-term notes funding	-	(590,000)	(590,000)
Transfer treatment - indirect costs	-	(32,883)	(32,883)
Other Financing Sources (Uses) — GAAP basis	<u>\$ -</u>	<u>\$ (597,883)</u>	<u>\$ 43,961</u>