

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, 2023



TOWN OF WESTPORT, MASSACHUSETTS

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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, 2023, 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, 2023 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.

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 the responsibility of management, and 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 5, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 5, 2024

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, 2023. 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 \$1.7 million in fiscal year 2023 related to this new school and issued nearly \$7.3 million of new debt.
- 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 \$63.4 million (*total net position*). Over \$63.1 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 \$41.1 million and 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 \$56.4 million at June 30, 2023.
- At the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of over \$19.1 million, which is approximately \$10.3 million higher than the prior year. This increase was due almost entirely to issuance of nearly \$7.3 million of debt related to the new Junior/Senior High School construction project.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was nearly \$5.9 million, which was a increase of \$1.9 million from the prior year. The June 30, 2023, total general fund balance of approximately \$8.9 million was 16.9% of the total fiscal year 2023 general fund expenditures.
- The Town's total reported long-term debt obligations increased over \$7.3 million during the current fiscal year, which was due mainly to the issuance of over \$9.2 million of new debt, which was offset by regularly scheduled debt payments.

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, ARPA 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>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 30,452,126 | \$ 32,617,134 | \$ 112,622 | \$ 85,834 | \$ 30,564,748 | \$ 32,702,968 |
| Capital assets, net | 162,381,391 | 160,486,844 | 319,205 | 367,996 | 162,700,596 | 160,854,840 |
| Total assets | 192,833,517 | 193,103,978 | 431,827 | 453,830 | 193,265,344 | 193,557,808 |
| Deferred outflows of resources | 8,115,867 | 6,071,473 | 20,356 | 15,238 | 8,136,223 | 6,086,711 |
| <u>Liabilities</u> | | | | | | |
| Long term liabilities | 123,066,754 | 105,488,637 | 142,319 | 115,927 | 123,209,073 | 105,604,564 |
| Other liabilities | 11,484,328 | 23,595,832 | 1,104 | 5,782 | 11,485,432 | 23,601,614 |
| Total liabilities | 134,551,082 | 129,084,469 | 143,423 | 121,709 | 134,694,505 | 129,206,178 |
| Deferred inflows of resources | 3,252,835 | 10,267,555 | 8,323 | 26,013 | 3,261,158 | 10,293,568 |
| <u>Net Position</u> | | | | | | |
| Net investment in capital assets | 91,838,156 | 88,690,675 | 319,205 | 367,996 | 92,157,361 | 89,058,671 |
| Restricted | 12,377,016 | 3,118,110 | - | - | 12,377,016 | 3,118,110 |
| Unrestricted | (41,069,705) | (31,985,358) | (18,768) | (46,650) | (41,088,473) | (32,032,008) |
| Net Position | \$ 63,145,467 | \$ 59,823,427 | \$ 300,437 | \$ 321,346 | \$ 63,445,904 | \$ 60,144,773 |

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 \$63.4 million at June 30, 2023.

By far the largest portion (nearly \$92.2 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 (nearly \$12.4 million) represents resources that are subject to external restrictions on how they may be used. These restricted funds increased nearly \$9.3 million year-over-year due primarily to the inflows of resources reported in the school construction fund.

The remaining balance of *unrestricted net position* is in deficit by nearly \$41.1 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>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| <u>Revenues</u> | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,676,292 | \$ 4,810,757 | \$ 201,586 | \$ 169,096 | \$ 4,877,878 | \$ 4,979,853 |
| Operating grants and contributions | 17,528,841 | 14,631,123 | - | - | 17,528,841 | 14,631,123 |
| Capital grants and contributions | 2,034,928 | 4,467,672 | - | - | 2,034,928 | 4,467,672 |
| General revenues: | | | | | | |
| Property taxes | 37,109,969 | 34,917,472 | - | - | 37,109,969 | 34,917,472 |
| Intergovernmental | 1,409,341 | 1,500,437 | - | - | 1,409,341 | 1,500,437 |
| Other | 5,239,761 | 4,203,673 | - | - | 5,239,761 | 4,203,673 |
| Total revenues | <u>67,999,132</u> | <u>64,531,134</u> | <u>201,586</u> | <u>169,096</u> | <u>68,200,718</u> | <u>64,700,230</u> |
| <u>Expenses</u> | | | | | | |
| General government | 6,636,660 | 4,757,165 | - | - | 6,636,660 | 4,757,165 |
| Public safety | 12,944,578 | 10,847,485 | - | - | 12,944,578 | 10,847,485 |
| Education | 35,577,670 | 33,651,494 | - | - | 35,577,670 | 33,651,494 |
| Public works | 3,798,384 | 2,818,025 | - | - | 3,798,384 | 2,818,025 |
| Health and human services | 2,061,506 | 2,108,408 | - | - | 2,061,506 | 2,108,408 |
| Culture and recreation | 908,501 | 819,880 | - | - | 908,501 | 819,880 |
| Community preservation | 1,001,161 | 30,191 | - | - | 1,001,161 | 30,191 |
| Debt service | 1,748,632 | 1,560,283 | - | - | 1,748,632 | 1,560,283 |
| Harbormaster and waterways | - | - | 222,495 | 189,652 | 222,495 | 189,652 |
| Total expenses | <u>64,677,092</u> | <u>56,592,931</u> | <u>222,495</u> | <u>189,652</u> | <u>64,899,587</u> | <u>56,782,583</u> |
| Change in net position | 3,322,040 | 7,938,203 | (20,909) | (20,556) | 3,301,131 | 7,917,647 |
| Net position, beginning 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> |
| Net position, end of year | <u>\$ 63,145,467</u> | <u>\$ 59,823,427</u> | <u>\$ 300,437</u> | <u>\$ 321,346</u> | <u>\$ 63,445,904</u> | <u>\$ 60,144,773</u> |

Governmental Activities – Total revenues increased nearly \$3.5 million, or over 5%, in fiscal year 2023 in the Town’s governmental activities. A portion of this increase was due to operating grants and contributions which increased nearly \$2.9 million mainly due to increased funding in federal ARPA grant and additional grants that weren’t received in the prior year. This represented approximately 25.8% of total fiscal year 2023 revenues, compared to 22.7% in the prior year.

Property tax revenues continues to be the largest source of Town revenues and were the primary cause for the remainder of the increase by exceeding prior year property tax revenues by nearly \$2.2 million, or 6.3%, 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 remained consistent at 54.6% in fiscal year 2023 versus 54.1% in the prior year.

These revenues were offset by a reduction in capital grants of over \$2.4 million due to a reduced level of funding from the Massachusetts School Building Authority for the school construction project.

No other revenues were greater than 10% of total governmental activities in fiscal years 2023 or 2022.

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 55.0% and 59.5% total fiscal year 2023 and 2022 expenses, respectively. Dollar increases were due ot general cost of living increases from year to year.

Public safety expenses had an increase of nearly \$2.1 million from the prior year and represented approximately 20.0% and 19.2% of total expenses in fiscal year 2023 and 2022 expenses, respectively. This was primarily due to OPEB and Pension costs from the actuarial valuations that were allocated to Public Safety.

General government expenses had an increase of nearly \$1.9 million from the prior year and represented approximately 10.3% and 8.4% of total expenses in fiscal year 2023 and 2022 expenses, respectively. This was primarily due to costs associated with ARPA being charged to general government.

No other expense categories were greater than 10% of total expenses in fiscal years 2023 or 2022.

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 \$19.1 million, a increase of approximately \$10.3 million when compared to the prior year. The majority of this increase was related to the issuance of debt for 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 \$5.9 million, while the total fund balance in the general fund was approximately \$8.9 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 11.2% of total fiscal year 2023 general fund expenditures, while its total fund balance represents approximately 16.9% of that same amount.

The fund balance in the general fund increased nearly \$1.0 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 was flat as compared to the prior year at over \$1.7 million. This was attributed to the Town spending money on current year projects that was consistent with the revenue received.

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 nearly \$7.3 million in debt issuance related to construction which was the primary contributor for the over \$6.9 million increase in fund balance.

Capital Projects Fund – The fund balance in the Town’s capital projects fund increased over \$1.3 million year-over-year. This increase was due primarily to the issuance of new debt of over \$1.4 million for a new school roof project.

Nonmajor Governmental Funds – The fund balance in the Town’s nonmajor governmental funds increased by over \$1.0 million to a total fund balance of nearly \$8.9 million in the current year. This was primarily due to the issuance of \$0.5 million of new debt and the receipt of additional federal grants not fully spent.

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, 2023 totaled over \$162.7 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment. Net capital assets increased over \$1.8 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 \$66.4 million, which was entirely for governmental activities. The Town’s total long-term debt increased over \$7.3 million during the fiscal year. This was mainly attributed to the issuance of over \$9.2 million, which was offset by 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 \$216 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 2024 is expected to increase by \$0.6 million from the prior year.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise approximately 95% of the Town's real estate tax base for fiscal 2023. 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, 2023 totaled approximately \$1.8 million.
- 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 2024 in a May 2023 Town Meeting. The Town set its fiscal year 2024 tax rate on December 6, 2023.

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, 2023**

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | |
| Assets: | | | |
| Cash and cash equivalents | \$ 22,030,748 | \$ 112,622 | \$ 22,143,370 |
| Investments | 5,122,112 | - | 5,122,112 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 1,444,222 | - | 1,444,222 |
| Departmental and other | 1,136,968 | - | 1,136,968 |
| Intergovernmental | 706,974 | - | 706,974 |
| User charges | 11,102 | - | 11,102 |
| Capital assets, not being depreciated | 104,516,687 | 13,492 | 104,530,179 |
| Capital assets, net of accumulated depreciation | 57,864,704 | 305,713 | 58,170,417 |
| Total Assets | 192,833,517 | 431,827 | 193,265,344 |
| Deferred Outflows of Resources: | | | |
| Related to net pension liability | 7,810,851 | 19,576 | 7,830,427 |
| Related to net other postemployment benefits liability | 305,016 | 780 | 305,796 |
| Total Deferred Outflows of Resources | 8,115,867 | 20,356 | 8,136,223 |
| Liabilities: | | | |
| Warrants and accounts payable | 527,675 | 1,104 | 528,779 |
| Accrued payroll and withholdings | 1,822,512 | - | 1,822,512 |
| Other liabilities | 1,434,780 | - | 1,434,780 |
| Retainage | 80,138 | - | 80,138 |
| Unearned revenue | 1,527,909 | - | 1,527,909 |
| Short-term notes payable | 3,355,000 | - | 3,355,000 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,736,314 | - | 2,736,314 |
| Due in more than one year | 123,066,754 | 142,319 | 123,209,073 |
| Total Liabilities | 134,551,082 | 143,423 | 134,694,505 |
| Deferred Inflows of Resources: | | | |
| Related to net pension liability | 2 | - | 2 |
| Related to net other postemployment benefits liability | 3,252,833 | 8,323 | 3,261,156 |
| Total Deferred Inflows of Resources | 3,252,835 | 8,323 | 3,261,158 |
| Net Position: | | | |
| Net investment in capital assets | 91,838,156 | 319,205 | 92,157,361 |
| Restricted for: | | | |
| Nonexpendable permanent funds | 1,453,402 | - | 1,453,402 |
| Expendable permanent funds | 2,345,339 | - | 2,345,339 |
| Community preservation | 1,731,714 | - | 1,731,714 |
| Federal and state grants | 990,500 | - | 990,500 |
| Other purposes | 5,856,061 | - | 5,856,061 |
| Unrestricted | (41,069,705) | (18,768) | (41,088,473) |
| Total Net Position | \$ 63,145,467 | \$ 300,437 | \$ 63,445,904 |

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2023**

| 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 | \$ 6,636,660 | \$ 864,771 | \$ 2,330,162 | \$ - | \$ (3,441,727) | | \$ (3,441,727) |
| Public safety | 12,944,578 | 1,728,295 | 1,383,109 | 462,000 | (9,371,174) | | (9,371,174) |
| Education | 35,577,670 | 743,199 | 12,775,668 | 987,456 | (21,071,347) | | (21,071,347) |
| Public works | 3,798,384 | 785,698 | 1,711 | 585,472 | (2,425,503) | | (2,425,503) |
| Health and human services | 2,061,506 | 356,998 | 607,753 | - | (1,096,755) | | (1,096,755) |
| Culture and recreation | 908,501 | 197,331 | 174,089 | - | (537,081) | | (537,081) |
| Community preservation | 1,001,161 | - | 256,349 | - | (744,812) | | (744,812) |
| Interest | 1,748,632 | - | - | - | (1,748,632) | | (1,748,632) |
| Total Governmental Activities | 64,677,092 | 4,676,292 | 17,528,841 | 2,034,928 | (40,437,031) | | (40,437,031) |
| Business-Type Activities: | | | | | | | |
| Harbormaster and waterways | 222,495 | 201,586 | - | - | | \$ (20,909) | (20,909) |
| Total Primary Government | \$ 64,899,587 | \$ 4,877,878 | \$ 17,528,841 | \$ 2,034,928 | | | (40,457,940) |
| General Revenues: | | | | | | | |
| | | | | | 37,109,969 | - | 37,109,969 |
| | | | | | 1,409,341 | - | 1,409,341 |
| | | | | | 3,722,942 | - | 3,722,942 |
| | | | | | 314,515 | - | 314,515 |
| | | | | | 1,202,304 | - | 1,202,304 |
| | | | | | - | - | - |
| | | | | | 43,759,071 | - | 43,759,071 |
| | | | | | 3,322,040 | (20,909) | 3,301,131 |
| Net Position: | | | | | | | |
| | | | | | 59,823,427 | 321,346 | 60,144,773 |
| | | | | | \$ 63,145,467 | \$ 300,437 | \$ 63,445,904 |

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

| | General Fund | Community Preservation Fund | ARPA Fund | School Construction Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|---------------------|--------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| Assets: | | | | | | | |
| Cash and cash equivalents | \$ 9,638,238 | \$ 1,784,153 | \$ 1,527,909 | \$ 2,516,752 | \$ (103,056) | \$ 6,666,752 | \$ 22,030,748 |
| Investments | 2,587,355 | - | - | - | - | 2,534,757 | 5,122,112 |
| Receivables, net of allowance for uncollectibles | | | | | | | |
| Property taxes | 1,419,428 | 24,794 | - | - | - | - | 1,444,222 |
| User charges | - | - | - | - | - | 11,102 | 11,102 |
| Departmental and other | 401,723 | - | - | - | - | 735,245 | 1,136,968 |
| Intergovernmental | - | - | - | 381,437 | 119,716 | 205,821 | 706,974 |
| Total Assets | 14,046,744 | 1,808,947 | 1,527,909 | 2,898,189 | 16,660 | 10,153,677 | 30,452,126 |
| Deferred Outflows of Resources | - | - | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 14,046,744 | \$ 1,808,947 | \$ 1,527,909 | \$ 2,898,189 | \$ 16,660 | \$ 10,153,677 | \$ 30,452,126 |
| Liabilities: | | | | | | | |
| Warrants and account payable | \$ 129,414 | \$ 52,433 | \$ - | \$ - | \$ - | \$ 345,828 | \$ 527,675 |
| Accrued payroll and withholdings | 1,808,498 | 6 | - | - | - | 14,008 | 1,822,512 |
| Retainage payable | - | - | - | 80,138 | - | - | 80,138 |
| Other liabilities | 1,324,210 | - | - | - | - | - | 1,324,210 |
| Unearned revenue | 110,570 | - | 1,527,909 | - | - | - | 1,638,479 |
| Short-term notes payable | - | - | - | 2,500,000 | 695,000 | 160,000 | 3,355,000 |
| Total Liabilities | 3,372,692 | 52,439 | 1,527,909 | 2,580,138 | 695,000 | 519,836 | 8,748,014 |
| Deferred Inflows of Resources: | | | | | | | |
| Unavailable revenues - property taxes | 1,419,428 | 24,794 | - | - | - | - | 1,444,222 |
| Unavailable revenues - other | 401,723 | - | - | - | - | 746,347 | 1,148,070 |
| Total Deferred Inflows of Resources | 1,821,151 | 24,794 | - | - | - | 746,347 | 2,592,292 |
| Fund Balances: | | | | | | | |
| Nonspendable | - | - | - | - | - | 1,453,402 | 1,453,402 |
| Restricted | 63,242 | 1,731,714 | - | 318,051 | 1,138,741 | 7,434,092 | 10,685,840 |
| Committed | 1,542,189 | - | - | - | - | - | 1,542,189 |
| Assigned | 1,377,238 | - | - | - | - | - | 1,377,238 |
| Unassigned | 5,870,232 | - | - | - | (1,817,081) | - | 4,053,151 |
| Total Fund Balances | 8,852,901 | 1,731,714 | - | 318,051 | (678,340) | 8,887,494 | 19,111,820 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 14,046,744 | \$ 1,808,947 | \$ 1,527,909 | \$ 2,898,189 | \$ 16,660 | \$ 10,153,677 | \$ 30,452,126 |

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, 2023**

| | | |
|--|--------------------|----------------------|
| Total Governmental Fund Balances | | \$ 19,111,820 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 162,381,391 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. | | 2,592,292 |
| 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 | 7,810,851 | |
| Deferred inflows related to net pension liability | (2) | |
| Deferred outflows related other postemployment benefits | 305,016 | |
| Deferred inflows related to net other postemployment benefits liability | <u>(3,252,833)</u> | |
| Net effect of reporting deferred outflows and inflows of resources | | 4,863,032 |
| 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 | (66,356,513) | |
| Unamortized bond premiums | (2,856,684) | |
| Net other postemployment benefits liability | (23,675,641) | |
| Net pension liability | (32,614,422) | |
| Compensated absences | <u>(299,808)</u> | |
| Net effect of reporting long-term liabilities | | <u>(125,803,068)</u> |
| Net Position of Governmental Activities | | <u>\$ 63,145,467</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, 2023

| | General Fund | Community Preservation Fund | ARPA Fund | School Construction Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------------------|------------------|--------------------------|-----------------------|-----------------------------|--------------------------|
| Revenues: | | | | | | | |
| Real estate and personal property taxes, net | \$ 36,229,539 | \$ 711,250 | \$ - | \$ - | \$ - | \$ - | \$ 36,940,789 |
| Intergovernmental | 10,891,906 | 256,349 | 1,453,038 | 34,040 | 953,416 | 6,866,455 | 20,455,204 |
| Motor vehicle and other excises | 3,852,276 | - | - | - | - | - | 3,852,276 |
| License and permits | 795,405 | - | - | - | - | - | 795,405 |
| Departmental and other revenue | 1,265,236 | - | - | - | - | 2,559,140 | 3,824,376 |
| Penalties and interest on taxes | 314,515 | - | - | - | - | - | 314,515 |
| Fines and forfeitures | 113,043 | - | - | - | - | - | 113,043 |
| Investment income and unrealized gains (losses) | 349,269 | 49,050 | - | - | - | 803,985 | 1,202,304 |
| Contributions and donations | - | - | - | - | - | 517,906 | 517,906 |
| Total Revenues | 53,811,189 | 1,016,649 | 1,453,038 | 34,040 | 953,416 | 10,747,486 | 68,015,818 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 3,648,836 | - | 842,288 | - | 99,596 | 523,717 | 5,114,437 |
| Public safety | 7,056,450 | - | 462,000 | - | - | 1,943,105 | 9,461,555 |
| Education | 22,755,384 | - | - | 738,058 | 1,798,427 | 5,318,496 | 30,610,365 |
| Public works | 1,692,990 | - | 148,750 | - | - | 1,262,121 | 3,103,861 |
| Health and human services | 1,004,898 | - | - | - | - | 522,511 | 1,527,409 |
| Culture and recreation | 353,833 | - | - | - | - | 300,808 | 654,641 |
| Community preservation | - | 1,001,161 | - | - | - | - | 1,001,161 |
| Pension and other fringe benefits | 10,025,866 | - | - | - | - | - | 10,025,866 |
| State and county tax assessments | 1,869,555 | - | - | - | - | - | 1,869,555 |
| Debt service: | | | | | | | |
| Principal | 2,090,787 | - | - | - | - | 105,363 | 2,196,150 |
| Interest | 1,959,162 | - | - | - | - | 5,961 | 1,965,123 |
| Total Expenditures | 52,457,761 | 1,001,161 | 1,453,038 | 738,058 | 1,898,023 | 9,982,082 | 67,530,123 |
| Excess (Deficiency) of Revenues over Expenditures | 1,353,428 | 15,488 | - | (704,018) | (944,607) | 765,404 | 485,695 |
| Other Financing Sources (Uses): | | | | | | | |
| Issuance of bonds | - | - | - | 7,295,000 | 1,445,000 | 500,000 | 9,240,000 |
| Premiums from bond issuance | - | - | - | 329,039 | 218,604 | - | 547,643 |
| Transfers in | 256,926 | - | - | - | 601,500 | 25,000 | 883,426 |
| Transfers out | (626,500) | - | - | - | - | (256,926) | (883,426) |
| Total Other Financing Sources (Uses) | (369,574) | - | - | 7,624,039 | 2,265,104 | 268,074 | 9,787,643 |
| Net Change in Fund Balances | 983,854 | 15,488 | - | 6,920,021 | 1,320,497 | 1,033,478 | 10,273,338 |
| Fund Balances - Beginning of year | 7,869,047 | 1,716,226 | - | (6,601,970) | (1,998,837) | 7,854,016 | 8,838,482 |
| Fund Balances - End of year | \$ 8,852,901 | \$ 1,731,714 | \$ - | \$ 318,051 | \$ (678,340) | \$ 8,887,494 | \$ 19,111,820 |

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, 2023**

| | | Total |
|--|-------------|---------------|
| Net Change in Fund Balances - Total Governmental Fund Balances | | \$ 10,273,338 |
| <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 | 4,466,635 | |
| Depreciation expense | (2,572,088) | |
| Net effect of reporting capital assets | | 1,894,547 |
| <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 | (9,240,000) | |
| Proceeds from issuance premiums on debt issuance | (503,193) | |
| Amortization of premiums | 216,491 | |
| Repayments of debt | 2,196,150 | |
| Net effect of reporting long-term debt | | (7,330,552) |
| <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> | | |
| | | (61,136) |
| <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 | (8,340) | |
| Other postemployment benefits | 745,788 | |
| Net pension benefits | (2,191,605) | |
| Net effect of reporting long-term liabilities | | (1,454,157) |
| Change in Net Position of Governmental Activities | | \$ 3,322,040 |

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2023

| | <u>Business-Type Activities Enterprise Fund Harbormaster and Waterways</u> |
|--|--|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 112,622 |
| Total current assets | <u>112,622</u> |
| Noncurrent assets: | |
| Capital assets, not being depreciated | 13,492 |
| Capital assets, net of accumulated depreciation | <u>305,713</u> |
| Total noncurrent assets | <u>319,205</u> |
| Total Assets | <u>431,827</u> |
| Deferred Outflows of Resources: | |
| Related to net pension liability | 19,576 |
| Related to net other postemployment benefits liability | <u>780</u> |
| Total Deferred Outflows Of Resources | <u>20,356</u> |
| Liabilities: | |
| Current liabilities: | |
| Warrants and accounts payable | <u>1,104</u> |
| Total current liabilities | <u>1,104</u> |
| Noncurrent liabilities: | |
| Net other postemployment benefits liability | 60,579 |
| Net pension liability | <u>81,740</u> |
| Total noncurrent liabilities | <u>142,319</u> |
| Total Liabilities | <u>143,423</u> |
| Deferred Inflows of Resources | |
| Related to net pension liability | - |
| Related to net other postemployment benefits liability | <u>8,323</u> |
| Total Deferred Inflows Of Resources | <u>8,323</u> |
| Net Position: | |
| Net Investment in capital assets | 319,205 |
| Unrestricted | <u>(18,768)</u> |
| Total Net Position | <u>\$ 300,437</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, 2023**

| | <u>Business-Type Activities Enterprise Fund Harbormaster and Waterways</u> |
|--|--|
| Operating Revenues: | |
| Charges for services | \$ 201,586 |
| Total Operating Revenues | <u>201,586</u> |
| Operating Expenses: | |
| Personnel costs | 133,352 |
| Operating costs | 40,352 |
| Depreciation | <u>48,791</u> |
| Total Operating Expenses | <u>222,495</u> |
| Operating Loss | (20,909) |
| Change in Net Position | <u>(20,909)</u> |
| Total Net Position - Beginning of the year | <u>321,346</u> |
| Total Net Position - End of the year | <u><u>\$ 300,437</u></u> |

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

**STATEMENT OF CASH FLOW
 PROPRIETARY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2023**

| | Business-Type Activities <u>Enterprise Fund</u> <u>Harbormaster and</u> <u>Waterways</u> |
|--|--|
| Cash Flows From Operating Activities: | |
| Receipts from users | \$ 201,586 |
| Payments to employees and vendors | <u>(174,798)</u> |
| Net Cash Used in Operating Activities | <u>26,788</u> |
| Change in Cash and Cash Equivalents | 26,788 |
| Cash and Cash Equivalents: | |
| Beginning of year | <u>85,834</u> |
| End of year | <u><u>\$ 112,622</u></u> |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | |
| Operating loss | \$ (20,909) |
| Depreciation expense | 48,791 |
| Changes in assets, deferred outflows, liabilities and deferred inflows: | |
| Deferred outflows of resources | (5,118) |
| Liabilities | 21,714 |
| Deferred inflows of resources | <u>(17,690)</u> |
| Net Cash Used in Operating Activities | <u><u>\$ 26,788</u></u> |

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

| | <u>Other Postemployment Benefits Trust Fund</u> | <u>Private Purpose Trust Funds</u> |
|--|---|--|
| Assets: | | |
| Cash and cash equivalents | \$ 17,591 | \$ - |
| Investments | - | 129,179 |
| Bond mutual funds | 875,563 | - |
| Equity mutual funds | <u>2,595,809</u> | <u>-</u> |
| Total Assets | <u>3,488,963</u> | <u>129,179</u> |
| Net Position: | | |
| Restricted for other postemployment benefits | 3,488,963 | - |
| Held in trust for other purposes | <u>-</u> | <u>129,179</u> |
| Total Net Position | <u><u>\$ 3,488,963</u></u> | <u><u>\$ 129,179</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, 2023**

| | <u>Other Postemployment Benefits Trust Fund</u> | <u>Private Purpose Trust Funds</u> |
|--|---|--|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 1,091,168 | \$ - |
| Total contributions | 1,091,168 | - |
| Investment income: | | |
| Investment income (loss) | 261,058 | 11,608 |
| Total Additions | <u>1,352,226</u> | <u>11,608</u> |
| Deductions: | | |
| Life and health insurance premiums paid for retirees | 1,091,168 | - |
| Scholarships and assistance | - | 9,581 |
| Health and human services | - | 1,486 |
| Other | - | 2,220 |
| Total Deductions | <u>1,091,168</u> | <u>13,287</u> |
| Change in Net Position | 261,058 | (1,679) |
| Net Position - Beginning of the Year | <u>3,227,905</u> | <u>130,858</u> |
| Net Position - End of the Year | <u>\$ 3,488,963</u> | <u>\$ 129,179</u> |

See accompanying notes to basic financial statements.

TOWN OF WESTPORT, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND YEAR ENDED JUNE 30, 2023

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.

ARPA Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures related to the ARPA grant.

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, 2023, the carrying amount of deposits totaled \$22,160,961 while the bank balance totaled \$23,482,822. Of the Town's bank balance, \$13,103,470 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was uninsured and uncollateralized.

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, 2023:

| Investments by Fair Value Level | June 30, 2023 | Fair Value Measurements Using | | |
|------------------------------------|------------------|-------------------------------|------------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Debt securities: | | | | |
| U.S. Government obligations | \$ 1,726,103 | \$ 1,586,867 | \$ 139,236 | \$ - |
| Corporate bonds | 1,463,412 | 1,463,412 | - | - |
| Negotiable certificates of deposit | 71,707 | - | 71,707 | - |
| Total debt securities | 3,261,222 | 3,050,279 | 210,943 | - |
| Equity securities | 2,260,101 | 2,260,101 | - | - |
| Mutual funds | 2,304,392 | 2,304,392 | - | - |
| Total equity securities | 4,564,493 | 4,564,493 | - | - |
| Total investments at fair value | \$ 7,825,715 | \$ 7,614,772 | \$ 210,943 | \$ - |

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, 2023:

| Investments | Fair Value | Time Until Maturity (in years) | | |
|------------------------------------|--------------|--------------------------------|--------------|------------|
| | | Less than 1 | 1 to 5 | 6 to 10 |
| Debt securities: | | | | |
| U.S. Government obligations | \$ 1,726,103 | \$ 591,589 | \$ 1,033,573 | \$ 100,941 |
| Corporate bonds | 1,463,412 | 416,519 | 1,046,893 | - |
| Negotiable certificates of deposit | 71,707 | - | 71,707 | - |
| Total investments with maturities | 3,261,222 | \$ 1,008,108 | \$ 2,152,173 | \$ 100,941 |
| Other investments: | | | | |
| Equity securities | 2,260,101 | | | |
| Equity mutual funds | 2,304,392 | | | |
| Money market mutual funds | 896,948 | | | |
| Total Investments | \$ 8,722,663 | | | |

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, 2023:

| Quality Ratings (Moody's) | Investment Type | | |
|---------------------------|-----------------------------|-----------------|------------------------------------|
| | U.S. Government Obligations | Corporate Bonds | Negotiable Certificates of Deposit |
| Aaa | \$ 1,726,103 | \$ 96,511 | \$ - |
| A1 | - | 117,813 | - |
| A3 | - | 375,297 | - |
| Baa1 | - | 461,436 | - |
| Baa2 | - | 412,355 | - |
| Not rated | - | - | 71,707 |
| | \$ 1,726,103 | \$ 1,463,412 | \$ 71,707 |

B. Receivables

Receivables at June 30, 2023 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 | \$ 539,473 | \$ - | \$ 539,473 |
| Tax liens and foreclosures | 879,955 | - | 879,955 |
| Community preservation surcharges | 24,794 | - | 24,794 |
| User charges | 11,102 | - | 11,102 |
| Motor vehicle and other excise taxes | 337,682 | - | 337,682 |
| Departmental and other | 64,041 | - | 64,041 |
| Septic betterments | 735,245 | - | 735,245 |
| Intergovernmental | 706,974 | - | 706,974 |
| | <u>\$ 3,299,266</u> | <u>\$ -</u> | <u>\$ 3,299,266</u> |

Receivables at June 30, 2023 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, 2023 in the governmental funds:

| | General Fund | Other Governmental Funds | Total |
|---|---------------------|--------------------------------|---------------------|
| Real estate and personal property taxes | \$ 539,473 | \$ 11,192 | \$ 550,665 |
| Tax liens and foreclosures | 879,955 | 13,602 | 893,557 |
| User charges | - | 11,102 | 11,102 |
| Motor vehicle and other excise taxes | 337,682 | - | 337,682 |
| Departmental and other | 64,041 | - | 64,041 |
| Septic betterments | - | 735,245 | 735,245 |
| | <u>\$ 1,821,151</u> | <u>\$ 771,141</u> | <u>\$ 2,592,292</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 did not receive any reimbursements from the MSBA in fiscal year 2023 and recorded an additional \$381,436 in receivables from the MSBA at June 30, 2023 related to this agreement. These amounts are reported in the Town’s school construction fund.

Additionally, in fiscal year 2022, the Town executed a new school construction agreement with the Massachusetts School Building Authority (“MSBA”) related to the Town’s construction of a new roof at Westport Elementary. 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 \$1.3 million. The Town received approximately \$0.8 million in reimbursements from the MSBA in fiscal year 2023 and recorded an additional \$119,716 in receivables from the MSBA at June 30, 2023 related to this agreement. These amounts are reported in the Town's capital projects fund.

C. Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2023 were as follows:

| Transfers Out | Transfers In | | | Total |
|-----------------------------|-------------------|-----------------------|-----------------------------|-------------------|
| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | |
| General Fund | \$ - | \$ 601,500 | \$ 25,000 | \$ 626,500 (1) |
| Nonmajor Governmental Funds | 256,926 | - | - | 256,926 (2) |
| | <u>\$ 256,926</u> | <u>\$ 601,500</u> | <u>\$ 25,000</u> | <u>\$ 883,426</u> |

- (1) Transfer to capital projects fund for BAN paydown and nonmajor to reclass revenue.
(2) Transfers to general to supplement current year budget.

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| <i>Governmental Activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 12,727,690 | \$ - | \$ - | \$ 12,727,690 |
| Construction in-progress | 92,259,448 | 559,019 | (1,029,470) | 91,788,997 |
| Total capital assets not being depreciated | <u>104,987,138</u> | <u>559,019</u> | <u>(1,029,470)</u> | <u>104,516,687</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 44,911,341 | 2,897,617 | - | 47,808,958 |
| Infrastructure | 56,842,551 | 647,022 | - | 57,489,573 |
| Machinery and equipment | 5,882,448 | 890,533 | - | 6,772,981 |
| Vehicles | 8,332,133 | 501,914 | - | 8,834,047 |
| Total capital assets being depreciated | <u>115,968,473</u> | <u>4,937,086</u> | <u>-</u> | <u>120,905,559</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (22,209,988) | (807,463) | - | (23,017,451) |
| Infrastructure | (26,377,848) | (1,109,691) | - | (27,487,539) |
| Machinery and equipment | (4,551,126) | (318,479) | - | (4,869,605) |
| Vehicles | (7,329,805) | (336,455) | - | (7,666,260) |
| Total accumulated depreciation | <u>(60,468,767)</u> | <u>(2,572,088)</u> | <u>-</u> | <u>(63,040,855)</u> |
| Total capital assets being depreciated, net | <u>55,499,706</u> | <u>2,364,998</u> | <u>-</u> | <u>57,864,704</u> |
| Governmental activities capital assets, net | <u>\$ 160,486,844</u> | <u>\$ 2,924,017</u> | <u>\$ (1,029,470)</u> | <u>\$ 162,381,391</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 | 103,852 | - | - | 103,852 |
| 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 | (651,093) | (29,291) | - | (680,384) |
| Machinery and equipment | (76,792) | (16,105) | - | (92,897) |
| Vehicles | (100,458) | (3,395) | - | (103,853) |
| Total accumulated depreciation | <u>(828,343)</u> | <u>(48,791)</u> | <u>-</u> | <u>(877,134)</u> |
| Total capital assets being depreciated, net | <u>354,504</u> | <u>(48,791)</u> | <u>-</u> | <u>305,713</u> |
| Business activities capital assets, net | <u>\$ 367,996</u> | <u>\$ (48,791)</u> | <u>\$ -</u> | <u>\$ 319,205</u> |

Depreciation expense in the governmental activities was charged to the function/programs in fiscal year 2023 as follows:

| | |
|---------------------------|---------------------|
| General government | \$ 102,672 |
| Public safety | 747,518 |
| Education | 364,819 |
| Public works | 1,284,004 |
| Health and human services | 20,535 |
| Culture and recreation | 52,540 |
| | <u>\$ 2,572,088</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 2023:

| Type | Interest Rate | Maturity Date | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------------|---------------|---------------|----------------------|---------------------|-----------------------|---------------------|
| 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 | 100,000 | (440,000) | 160,000 |
| BAN | 4.00% | 8/3/2023 | - | 2,500,000 | - | 2,500,000 |
| BAN | 3.75% | 9/8/2023 | - | 100,000 | - | 100,000 |
| BAN | 4.45% | 8/9/2023 | - | 595,000 | - | 595,000 |
| Total Short-Term Notes Payable | | | <u>\$ 13,306,500</u> | <u>\$ 3,295,000</u> | <u>\$(13,246,500)</u> | <u>\$ 3,355,000</u> |

Temporary debt issued and outstanding at June 30, 2023 was issued for the following projects:

| Project | Amount Outstanding |
|---------------------------------------|---------------------|
| Campground purchase | \$ 595,000 |
| Land preservation | 100,000 |
| Clean water projects | 160,000 |
| New Junior/Senior School construction | 2,500,000 |
| | <u>\$ 3,355,000</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 | \$ 58,575,000 | \$ 8,740,000 | \$ (2,060,000) | \$ 65,255,000 | \$ 2,275,000 |
| Notes from direct borrowings and placements | 737,663 | 500,000 | (136,150) | 1,101,513 | 164,324 |
| Unamortized bond premium | 2,569,982 | 503,193 | (216,491) | 2,856,684 | 222,038 |
| Compensated absences | 291,468 | 81,207 | (72,867) | 299,808 | 74,952 |
| Net other postemployment benefits liability | 22,454,327 | 5,617,227 | (4,395,913) | 23,675,641 | - |
| Net pension liability | 23,330,805 | 13,240,486 | (3,956,869) | 32,614,422 | - |
| Total Governmental Activities | \$ 107,959,245 | \$ 28,682,113 | \$ (10,838,290) | \$ 125,803,068 | \$ 2,736,314 |
| <i>Business-Type Activities: Harbor</i> | | | | | |
| Net other postemployment benefits liability | \$ 57,454 | \$ 14,373 | \$ (11,248) | \$ 60,579 | \$ - |
| Net pension liability | 58,473 | 33,184 | (9,917) | 81,740 | - |
| Total Business-Type Activities | \$ 115,927 | \$ 47,557 | \$ (21,165) | \$ 142,319 | \$ - |
| Total Long-Term Obligations | \$ 108,075,172 | \$ 28,729,670 | \$ (10,859,455) | \$ 125,945,387 | \$ 2,736,314 |

General obligation bonds and notes payable outstanding at June 30, 2023 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% | \$ 58,575,000 | \$ 8,740,000 | \$ (2,060,000) | \$ 65,255,000 |
| MCWT notes | 0.00% - 2.00% | 523,997 | 500,000 | (30,787) | 993,210 |
| Capital financing | 2.79% | 213,666 | - | (105,363) | 108,303 |
| Total Governmental Activities | | 59,312,663 | 9,240,000 | (2,196,150) | 66,356,513 |
| Add: unamortized bond premiums | | 2,570,042 | 503,193 | (216,551) | 2,856,684 |
| Total Governmental Activities, net | | \$ 61,882,705 | \$ 9,743,193 | \$ (2,412,701) | \$ 69,213,197 |

Debt service requirements on long-term debt at June 30, 2023 were as follows:

| <i>Governmental Activities</i> | | | | |
|--------------------------------|--------------------------|----------------------|----------------------------------|-------------------|
| Year Ended June 30, | General Obligation Bonds | | Direct Borrowings and Placements | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$2,275,000 | \$1,947,275 | \$164,324 | \$20,637 |
| 2025 | 2,240,000 | 1,852,264 | 56,260 | 15,881 |
| 2026 | 2,310,000 | 1,761,477 | 56,505 | 15,003 |
| 2027 | 2,380,000 | 1,665,170 | 56,755 | 14,121 |
| 2028 | 2,460,000 | 1,564,115 | 57,011 | 13,234 |
| 2029-2033 | 12,245,000 | 6,314,890 | 289,084 | 52,666 |
| 2034-2038 | 12,320,000 | 4,481,081 | 258,859 | 29,651 |
| 2039-2043 | 11,250,000 | 3,017,699 | 162,715 | 8,552 |
| 2044-2048 | 12,100,000 | 1,596,368 | - | - |
| 2049-2053 | 5,675,000 | 279,378 | - | - |
| | \$ 65,255,000 | \$ 24,479,717 | \$ 1,101,513 | \$ 169,745 |

At June 30, 2023, the Town had authorized but not yet issued long-term debt for the following:

| Project | Amount Authorized | Issued/Retired Rescinded | Unissued |
|-------------------------------|-------------------|--------------------------|---------------|
| School construction | \$ 103,395,433 | \$ 60,000,000 | \$ 43,395,433 |
| Land preservation trust | 1,500,000 | 1,416,500 | 83,500 |
| CWT Title V | 1,000,000 | 500,000 | 500,000 |
| Septic plan | 350,000 | - | 350,000 |
| Conservation - Angeline Brook | 211,000 | - | 211,000 |
| | \$ 106,456,433 | \$ 61,916,500 | \$ 44,539,933 |

G. Fund Balances

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet at June 30, 2023 are detailed as follows:

| | General | Community Preservation Fund | ARPA Fund | School Construction Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|--------------|-----------------------------|-----------|--------------------------|-----------------------|-----------------------------|--------------------------|
| Nonspendable: | | | | | | | |
| Nonexpendable trust funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,453,402 | \$ 1,453,402 |
| Restricted: | | | | | | | |
| Federal and state grants | - | - | - | - | - | 990,500 | 990,500 |
| Gifts and donations | - | - | - | - | - | 1,051,230 | 1,051,230 |
| Revolving funds | - | - | - | - | - | 3,047,023 | 3,047,023 |
| Expendable trust funds | - | - | - | - | - | 2,345,339 | 2,345,339 |
| Capital outlay | - | - | - | 318,051 | 1,138,741 | - | 1,456,792 |
| Community preservation | - | 1,731,714 | - | - | - | - | 1,731,714 |
| Debt service | 63,242 | - | - | - | - | - | 63,242 |
| Committed: | | | | | | | |
| Town meeting articles | 1,542,189 | - | - | - | - | - | 1,542,189 |
| Assigned: | | | | | | | |
| Purchase orders | 575,908 | - | - | - | - | - | 575,908 |
| Charter School | - | - | - | - | - | - | - |
| Other purposes | 101,078 | - | - | - | - | - | 101,078 |
| Subsequent years' budget | 700,252 | - | - | - | - | - | 700,252 |
| Unassigned | 5,870,232 | - | - | - | (1,817,081) | - | 4,053,151 |
| | \$ 8,852,901 | \$ 1,731,714 | \$ - | \$ 318,051 | \$ (678,340) | \$ 8,887,494 | \$ 19,111,820 |

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 \$1,548,662 at June 30, 2023, may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital stabilization fund, which totaled \$219,391 at June 30, 2023, 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 \$676,986 of encumbrances from normal purchasing activity in the general fund as assigned. The Town reports \$1,542,189 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 2023, state and county tax assessments exceeded appropriations by \$62,142. This was funded from current year operations.

The Town reported deficits totaling \$1,817,081 in its capital projects fund at June 30, 2023. 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, 2022 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, 2022, was as follows:

| | |
|---|---------------------|
| Retirees and beneficiaries currently receiving benefits | 2,979 |
| Inactive participants | 930 |
| Active participants | <u>3,507</u> |
| Total | <u><u>7,416</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 \$3,246,146 to the System in fiscal year 2023, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 26.4%.

Net Pension Liability – The Town reported a liability of \$32,696,162 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2022. 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 6.38% at January 1, 2022.

Pension Expense – The Town recognized \$5,443,243 in net pension expense in the statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, 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 | \$ 1,208,165 | \$ - |
| Changes of assumptions | 2,081,520 | - |
| Net differences between projected and actual earnings on pension plan investments | 4,312,891 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | <u>227,851</u> | <u>2</u> |
| | <u>\$ 7,830,427</u> | <u>\$ 2</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> | |
|-------------------------------|---------------------|
| 2024 | \$ 2,472,214 |
| 2025 | 1,758,681 |
| 2026 | 1,467,826 |
| 2027 | 2,128,662 |
| 2028 | <u>3,042</u> |
| | <u>\$ 7,830,425</u> |

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2022 actuarial valuation report was 7.35%. 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.

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:

| | Discount Rate | | | |
|-----------------------|---------------|---------------|---------------|---------------|
| | Current Rate | 1% Decrease | Current Rate | 1% Increase |
| Net pension liability | 7.35% | \$ 42,208,260 | \$ 32,696,162 | \$ 24,665,952 |

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.

| | |
|----------------------------|--|
| Actuarial cost method | Entry Age Normal |
| Asset valuation method | Market Value |
| Investment rate of return | 7.35%, net of expenses |
| 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. |

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|-------------------|--|
| Domestic equities | 22.00% | 5.0% |
| International equities | 11.00% | 5.2% |
| Emerging market equities | 11.00% | 5.9% |
| Global REITs | 2.00% | 4.4% |
| Core fixed income | 5.00% | 1.5% |
| High yield fixed income | 3.00% | 3.1% |
| Emerging markets fixed income | 4.00% | 2.9% |
| Global fixed income | 3.00% | 1.4% |
| Private equity | 12.00% | 7.2% |
| Hedge funds | 4.00% | 2.9% |
| Real estate | 11.00% | 2.7% |
| Timber | 3.00% | 2.8% |
| Farmland | 3.00% | 5.3% |
| Infrastructure | 6.00% | 4.8% |
| Total | 100.00% | |

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, 2023, the Commonwealth contributed \$3,261,147 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 0.155%, 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 | \$ 40,114,445 | \$ (40,114,445) | \$ — |
| Pension expense | 3,299,805 | (3,299,805) | — |

The Town has recognized intergovernmental revenue and pension expense of \$3,299,805 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, 2023, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms:

| | |
|--------------------|------------|
| Active employees | 394 |
| Inactive employees | 343 |
| Total | <u>737</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. The Town’s average contribution rate was approximately 4.30% of covered payroll.

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

| | |
|--|----------------------|
| Total OPEB Liability | \$ 27,225,183 |
| Plan fiduciary net position | <u>(3,488,963)</u> |
| Net OPEB liability | <u>\$ 23,736,220</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 12.8% |

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 | 31.00% | 3.90% |
| International Equity | 21.00% | 5.75% |
| Domestic Fixed Income | 22.00% | 1.39% |
| International Fixed Income | 6.00% | 1.21% |
| Alternatives | 10.00% | 7.97% |
| Real Estate | 10.00% | 2.05% |
| Cash | 0.00% | 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% | \$ 28,358,890 | \$ 23,736,220 | \$ 20,896,271 |

| Current Healthcare Trend Rate | Net OPEB Liability At | | |
|-------------------------------|-----------------------|---------------|---------------|
| | 1% Decrease | Current Rate | 1% Increase |
| 4.50% | \$ 21,322,335 | \$ 23,736,220 | \$ 28,275,258 |

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability:

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---------------------------------------|----------------------|-----------------------------|--------------------|
| | (a) | (b) | (a) - (b) |
| Balances at July 1, 2022 | \$ 25,739,687 | \$ 3,227,905 | \$ 22,511,782 |
| Changes for the year: | | | |
| Service cost | 691,370 | - | 691,370 |
| Interest | 1,940,131 | - | 1,940,131 |
| Experience differences | - | - | - |
| Net investment income | - | 261,058 | (261,058) |
| Employer contributions | - | 1,091,168 | (1,091,168) |
| Administrative expenses | - | - | - |
| Benefit payments withdrawn from trust | - | (1,091,168) | 1,091,168 |
| Benefit payments | (1,146,005) | - | (1,146,005) |
| Net changes | 1,485,496 | 261,058 | 1,224,438 |
| Balances at June 30, 2023 | \$ 27,225,183 | \$ 3,488,963 | \$ 23,736,220 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the Town recognized OPEB expense of \$398,309 and deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between actual and expected earnings | \$ 305,796 | \$ - |
| Differences between actual and expected experience | - | <u>3,261,156</u> |
| Totals | <u>\$ 305,796</u> | <u>\$ 3,261,156</u> |

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> | |
|----------------------------|-----------------------|
| 2024 | \$ (1,632,532) |
| 2025 | (917,846) |
| 2026 | (242,829) |
| 2027 | (162,153) |
| 2028 | - |
| | <u>\$ (2,955,360)</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, 2023 the annual money-weighted rate of return on investments, net of investment expense, was 7.77%. 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, 2023, 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, 2023.

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, 2023 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, 2023, 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 May 2019, the GASB issued GASB Statement No. 91, Conduit Debt Obligations. The objective of this Statement was 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 became effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's 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 was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this Statement was 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 became effective for financial reporting periods beginning after June 15, 2022 (fiscal year

2023). The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Year Implementations

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, Compensated 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.

In December 2023, the GASB issued GASB Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (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 December 31, | 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 | 6.38% | \$ 32,696,162 | \$ 12,132,936 | 269.48% | 61.8% |
| 2021 | 6.45% | 23,389,278 | 11,730,202 | 199.39% | 71.6% |
| 2020 | 6.27% | 27,352,108 | 11,642,025 | 234.94% | 65.2% |
| 2019 | 6.21% | 29,275,665 | 11,261,475 | 259.96% | 61.2% |
| 2018 | 6.15% | 22,801,861 | 10,677,956 | 213.54% | 63.5% |
| 2017 | 6.15% | 19,187,505 | 10,848,000 | 176.88% | 68.6% |
| 2016 | 6.15% | 20,528,951 | 10,308,789 | 199.14% | 64.2% |
| 2015 | 6.15% | 20,687,771 | 9,841,278 | 210.21% | 63.0% |
| 2014 | 6.55% | 18,714,835 | 9,292,967 | 201.39% | 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 |
|------------------------|---|--|--|--------------------|---|
| 2023 | \$ 3,246,146 | \$ 3,246,146 | \$ - | \$ 12,314,930 | 26.4% |
| 2022 | 3,060,552 | 3,060,552 | - | 11,906,155 | 25.7% |
| 2021 | 2,828,252 | 2,828,252 | - | 11,816,655 | 23.9% |
| 2020 | 2,603,565 | 2,603,565 | - | 11,430,397 | 22.8% |
| 2019 | 2,407,959 | 2,407,959 | - | 10,838,125 | 22.2% |
| 2018 | 2,315,199 | 2,315,199 | - | 11,010,720 | 21.0% |
| 2017 | 2,265,333 | 2,265,333 | - | 10,463,421 | 21.7% |
| 2016 | 2,126,255 | 2,126,255 | - | 9,988,897 | 21.3% |
| 2015 | 1,933,971 | 1,933,971 | - | 9,432,362 | 20.5% |

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, 2023**

**SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM**

| Year Ended June 30, * | Commonwealth's Proportionate Share of the Collective Net Pension Liability | Town's Proportion Share of the Collective Net Pension Liability | Commonwealth's Proportionate Share of the Net Pension Liability Associated with the Town | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------|---|--|--|--|---|
| 2023 | 100.0% | 0.0% | \$ 40,114,445 | \$ 3,299,805 | 57.75% |
| 2022 | 100.0% | 0.0% | 36,199,434 | 2,904,854 | 62.03% |
| 2021 | 100.0% | 0.0% | 45,677,982 | 5,641,885 | 50.67% |
| 2020 | 100.0% | 0.0% | 39,315,603 | 4,767,699 | 53.95% |
| 2019 | 100.0% | 0.0% | 36,570,057 | 3,705,846 | 54.84% |
| 2018 | 100.0% | 0.0% | 36,390,446 | 3,798,177 | 54.25% |
| 2017 | 100.0% | 0.0% | 35,460,117 | 3,617,164 | 52.73% |
| 2016 | 100.0% | 0.0% | 32,245,906 | 2,615,430 | 55.38% |
| 2015 | 100.0% | 0.0% | 26,170,957 | 1,818,222 | 61.64% |

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, 2023**

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

| | Year Ended June 30 | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB liability: | | | | | | | |
| Service cost | \$ 691,370 | \$ 670,254 | \$ 641,391 | \$ 704,972 | \$ 674,614 | \$ 645,564 | \$ 625,746 |
| Interest | 1,940,131 | 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 | (1,146,005) | (1,096,656) | (1,024,010) | (979,914) | (1,456,700) | (1,393,971) | (1,599,732) |
| Net change in total OPEB liability | 1,485,496 | (677,272) | 1,496,792 | (5,045,407) | 1,360,269 | (3,085,483) | 425,512 |
| Total OPEB liability - beginning of year | 25,739,687 | 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>\$ 27,225,183</u> | <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 | \$ 1,091,168 | \$ 1,094,179 | \$ 1,024,010 | \$ 1,224,914 | \$ 1,656,699 | \$ 1,543,971 | \$ 1,645,126 |
| Net investment income | 261,058 | (603,072) | 812,364 | 88,226 | 147,369 | 136,492 | 170,455 |
| Benefit payments | (1,091,168) | (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 | 261,058 | (553,072) | 812,364 | 323,897 | 343,236 | 277,658 | 320,455 |
| Plan fiduciary net position - beginning of year | 3,227,905 | 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>\$ 3,488,963</u> | <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>\$ 23,736,220</u> | <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 | 12.82% | 12.54% | 14.31% | 11.91% | 8.83% | 8.05% | 6.39% |
| Covered payroll | \$ 25,160,046 | \$ 24,309,224 | \$ 23,150,692 | \$ 22,367,818 | \$ 22,027,764 | \$ 22,027,764 | \$ 21,282,864 |
| Net OPEB liability as a percentage of covered payroll | 94.34% | 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.

TOWN OF WESTPORT, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEAR ENDED JUNE 30, 2023**

**SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| | Year Ended June 30 | | | | | | |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Actuarially-determined contribution | \$ 2,631,501 | \$ 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 | (1,091,168) | (1,044,179) | (977,057) | (1,179,982) | (1,656,699) | (1,543,971) | (1,645,126) |
| Contribution deficiency (excess) | <u>\$ 1,540,333</u> | <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 | \$ 25,160,046 | \$ 24,309,224 | \$ 23,150,692 | \$ 22,027,764 | \$ 22,027,764 | \$ 21,282,864 | \$ 21,325,986 |
| Contribution as a percentage of covered payroll | 4.34% | 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 | | | | | | |
|---|--------------------|---------|--------|-------|-------|-------|-------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Annual money-weighted rate of return, net of investment expense | 7.77% | -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 independent auditors' 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, 2023

| | 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 | \$ 35,612,666 | \$ 35,612,666 | \$ 36,331,567 | | \$ 36,331,567 | \$ 718,901 |
| Intergovernmental | 7,621,835 | 7,621,835 | 7,592,101 | | 7,592,101 | (29,734) |
| Motor vehicle and other excises | 3,247,100 | 3,247,100 | 3,852,276 | | 3,852,276 | 605,176 |
| License and permits | 615,000 | 615,000 | 795,405 | | 795,405 | 180,405 |
| Departmental and other revenue | 1,048,000 | 1,048,000 | 1,265,236 | | 1,265,236 | 217,236 |
| Penalties and interest on taxes | 275,000 | 275,000 | 314,515 | | 314,515 | 39,515 |
| Fines, fees and forfeitures | 120,000 | 120,000 | 113,043 | | 113,043 | (6,957) |
| Investment income | 100,000 | 100,000 | 290,313 | | 290,313 | 190,313 |
| Total Revenues | 48,639,601 | 48,639,601 | 50,554,456 | | 50,554,456 | 1,914,855 |
| EXPENDITURES | | | | | | |
| General government | 4,502,064 | 5,107,920 | 3,674,686 | \$ 1,085,739 | 4,760,425 | 347,495 |
| Public safety | 7,310,094 | 7,299,691 | 7,056,450 | 145,294 | 7,201,744 | 97,947 |
| Education | 25,012,226 | 25,262,226 | 23,065,014 | 2,194,345 | 25,259,359 | 2,867 |
| Public works | 1,782,512 | 2,022,688 | 1,692,990 | 112,234 | 1,805,224 | 217,464 |
| Health and human services | 1,166,425 | 1,166,425 | 1,004,898 | 74,303 | 1,079,201 | 87,224 |
| Culture and recreation | 356,095 | 356,095 | 353,833 | 715 | 354,548 | 1,547 |
| Fringe benefits | 7,524,218 | 7,435,218 | 6,755,211 | 22,913 | 6,778,124 | 657,094 |
| State and county tax assessments | 1,807,413 | 1,807,413 | 1,869,555 | - | 1,869,555 | (62,142) |
| Debt service | 5,169,921 | 5,169,921 | 4,818,879 | - | 4,818,879 | 351,042 |
| Total Expenditures | 54,630,968 | 55,627,597 | 50,291,516 | 3,635,543 | 53,927,059 | 1,700,538 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 311,926 | 311,926 | 311,926 | | 311,926 | - |
| Transfers out | - | (363,940) | (388,940) | | (388,940) | (25,000) |
| Total Other Financing Sources (Uses) | 311,926 | (52,014) | (77,014) | - | (77,014) | (25,000) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | | | | | | |
| | (5,679,441) | (7,040,010) | \$ 185,926 | \$ (3,635,543) | \$ (3,449,617) | \$ 3,590,393 |
| Other Budgetary Items: | | | | | | |
| Undesignated surplus (free cash) | 1,476,260 | 2,837,260 | | | | |
| Prior year encumbrances | 4,143,181 | 4,143,181 | | | | |
| Other | 60,000 | 59,569 | | | | |
| Total Other Budgetary Items | 5,679,441 | 7,040,010 | | | | |
| 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, 2023**

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 | | | \$ 50,554,456 |
| On-behalf payments | \$ 3,299,805 | \$ - | 3,299,805 |
| Revenue recognition | (102,028) | - | (102,028) |
| Stabilization investment income | - | 58,956 | 58,956 |
| Revenues — GAAP basis | <u>\$ 3,197,777</u> | <u>\$ 58,956</u> | <u>\$ 53,811,189</u> |
| Expenditures — budgetary basis | | | \$ 50,291,516 |
| On-behalf payments | \$ 3,299,805 | \$ - | 3,299,805 |
| Expense recognition | (477,060) | - | (477,060) |
| Transfer treatment - short-term notes funding | - | (601,500) | (601,500) |
| Transfer treatment - indirect costs | - | (55,000) | (55,000) |
| Expenditures — GAAP basis | <u>\$ 2,822,745</u> | <u>\$ (656,500)</u> | <u>\$ 52,457,761</u> |
| Other Financing Sources (Uses) — budgetary basis | | | \$ (77,014) |
| Stabilization transfers | \$ - | \$ 363,940 | 363,940 |
| Transfer treatment - short-term notes funding | - | (601,500) | (601,500) |
| Transfer treatment - indirect costs | - | (55,000) | (55,000) |
| Other Financing Sources (Uses) — GAAP basis | <u>\$ -</u> | <u>\$ (292,560)</u> | <u>\$ (369,574)</u> |