



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

March 5, 2024

Town of Westport
Board of Selectmen
Westport, MA

Dear Honorable Board:

We have audited the financial statements of the Town of Westport, Massachusetts “the Town” as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Audit Standards*, issued by the Comptroller General of the United States of America, as well as certain information related to the planned scope and timing of our audit. We communicated such information to the Town’s management prior to our commencement of auditing procedures. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Scope limitation

There were no scope limitations.

GAAP Departure

There were no GAAP departures.

Material Weaknesses/Significant Deficiencies

There were no material weaknesses or significant deficiencies.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ

significantly from those expected. The most sensitive estimates affecting the Town's financial statements were:

The presentation of the Town's total pension liability and related accounts is determined through biennial actuarial studies, which are rolled forward by an actuary to June 30 each year. We have received an AU805 report from the independent auditor of the County pension system.

The presentation of the Town's total OPEB liability and related accounts is determined through biennial actuarial studies, which are rolled forward by an actuary to June 30 each year. We have received the actuarial report from the actuary.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are those that describe the Town's net pension and OPEB liabilities at June 30, 2023.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the Town's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 5, 2024

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following are some observations we highlight for management:

1. Long-term obligations – the Town's two main obligations outside of debt are its Pension and OPEB liabilities. Regarding pension, the Town is a member of the Bristol County Contributory Retirement System. A challenging year in the financial markets increased the Town's liability by over \$9.3 million to almost \$32.7 million. This increased the Town's unfunded ratio from 28.4% to 38.2%. Improved financial conditions subsequent to year-end should help this situation, however this will remain volatile until full funding is achieved, therefore the Town should be prepared to expect increases in annual assessments as full maturity date approaches.

With respect to OPEB, the Town continues to contribute consistent amounts from year to year and has currently accumulated nearly \$3.5 million which represents nearly 13% of the gross liability. This places the Town clearly above the average with respect to its peer communities.

2. Investment returns – The Town has been more aggressive on the investment side and has begun to invest excess cash in certificate of deposits, with the assistance of its investment manager. We continue to suggest the Town research all opportunities to increase investment income in a safe manner.
3. Network Security – We continue to alert the Town to challenge its electronic systems with the intent on identifying any vulnerable areas. This would include ongoing training of employees to enable them to identify possible intrusions through email. Malware and ransomware continue to be significant threats, especially to municipalities.
4. Fraud Risk – We continue to remind management to review its internal processes and safeguarding of assets, especially in cash handling areas.
5. ARPA – As the deadline for obligating funds received from the American Rescue Plan Act approaches, we remind our clients that funds must be obligated by way of a legal commitment or purchase order by December 31, 2024. Merely implementing a plan by approval of the Select Board is not sufficient.
6. The closing process still continues to be somewhat challenging. During the audit we observed that not all transfers in and out are recorded as other financing sources and uses. We also observed that the subsidiary revenue account does not reconcile to the revenue control account in the general ledger. These oversights caused balances between funds to be inaccurate and required adjustments. It is important that all transactions are carefully reviewed prior to submission to the Department of Revenue and reconciled where appropriate.

7. We continue to recommend the Town Treasurer/Collector review the tax lien process. The balance in tax liens is increasing, however foreclosure activity has been the same for at least 11 years. The Treasurer should evaluate a possible sale of these accounts or begin to evaluate possible foreclosure.
8. The Town still carries multiple special revenue balances that it should research and determine if they remain due to coding errors or have legitimately not been spent. If they are legitimate balances then the Town needs to determine if the department head can spend these or in the case of grant revenues, should they be returned to the State.

In addition, the Town carries a PCB capital project balance of over \$93,000. The Town should either repurpose this to another similar project or paydown debt up to \$50,000 per year as is permissible under the Municipal Modernization Act.

Other Matters

We applied certain limited procedures to the required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We also made verbal communications about matters that we deemed appropriate to Town Management throughout the course of the engagement and through the time of issuance of the financial statements.

Restriction on Use

This information is intended solely for the information and use of the Selectmen and management of the Town of Westport and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Roselli Clark & Associates

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