



TOWN OF FAIRHAVEN, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Fairhaven, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts (the Town), as of and for the year ended June 30, 2021, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2020) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, as of June 30, 2021, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2020) 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.

Emphasis of Matter

As discussed in Note 26 to the financial statements, in fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the general fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient 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 May 11, 2022 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, contracts, and 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 Town's internal control over financial reporting and compliance.

Andover, Massachusetts
May 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Fairhaven, Massachusetts (the Town), we offer readers this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required 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 our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, human services, and culture and recreation. The business-type activities include sewer and water 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer and water operations, which are considered to be major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health and dental programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

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

Notes to 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$63,633,131, a change of \$1,360,733, and net position in business-type activities was \$31,675,091, a change of \$(626,377).
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$30,418,356, a change of \$1,651,205 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,304,851, a change of \$439,232 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 42,532	\$ 40,662	\$ 12,325	\$ 11,350	\$ 54,857	\$ 52,012
Capital assets	<u>92,330</u>	<u>94,849</u>	<u>34,705</u>	<u>35,231</u>	<u>127,035</u>	<u>130,080</u>
Total assets	134,862	135,511	47,030	46,581	181,892	182,092
Deferred outflows of resources	14,860	8,421	906	772	15,766	9,193
Liabilities						
Other liabilities	4,931	4,536	2,529	877	7,460	5,413
Long-term liabilities	<u>66,204</u>	<u>63,898</u>	<u>12,537</u>	<u>13,153</u>	<u>78,741</u>	<u>77,051</u>
Total liabilities	71,135	68,434	15,066	14,030	86,201	82,464
Deferred inflows of resources	14,954	13,226	1,195	1,022	16,149	14,248
Net Position						
Net investment in capital assets	83,885	85,577	25,462	26,046	109,347	111,623
Restricted	10,444	9,557	-	-	10,444	9,557
Unrestricted	<u>(30,696)</u>	<u>(32,862)</u>	<u>6,213</u>	<u>6,255</u>	<u>(24,483)</u>	<u>(26,607)</u>
Total net position	<u>\$ 63,633</u>	<u>\$ 62,272</u>	<u>\$ 31,675</u>	<u>\$ 32,301</u>	<u>\$ 95,308</u>	<u>\$ 94,573</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$95,308,222, a change of \$734,356 in comparison to the prior year.

The largest portion of net position \$109,346,714 reflects our investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$10,444,284 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(24,482,776), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,507	\$ 6,119	\$ 6,265	\$ 6,691	\$ 11,772	\$ 12,810
Operating grants and contributions	19,129	17,728	373	-	19,502	17,728
Capital grants and contributions	2,012	-	31	57	2,043	57
General revenues:						
Property taxes	30,793	30,308	-	-	30,793	30,308
Excises	2,189	2,209	-	-	2,189	2,209
Penalties, interest and other taxes	346	284	-	-	346	284
Grants and contributions not restricted to specific programs	3,298	3,411	-	-	3,298	3,411
Investment income	1,453	475	44	19	1,497	494
Miscellaneous	<u>621</u>	<u>610</u>	<u>8</u>	<u>8</u>	<u>629</u>	<u>618</u>
Total revenues	65,348	61,144	6,721	6,775	72,069	67,919
Expenses:						
General government	5,937	5,644	-	-	5,937	5,644
Public safety	11,545	11,273	-	-	11,545	11,273
Education	36,594	33,417	-	-	36,594	33,417
Public works	6,278	5,587	-	-	6,278	5,587
Human services	1,197	1,512	-	-	1,197	1,512
Culture and recreation	1,444	1,616	-	-	1,444	1,616
Interest on long-term debt	306	276	-	-	306	276
Intergovernmental	679	617	-	-	679	617
Sewer services	-	-	4,203	4,276	4,203	4,276
Water services	<u>-</u>	<u>-</u>	<u>3,151</u>	<u>2,911</u>	<u>3,151</u>	<u>2,911</u>
Total expenses	<u>63,980</u>	<u>59,942</u>	<u>7,354</u>	<u>7,187</u>	<u>71,334</u>	<u>67,129</u>
Change in net position before transfers	1,368	1,202	(633)	(412)	735	790
Transfers in (out)	<u>(7)</u>	<u>(7)</u>	<u>7</u>	<u>7</u>	<u>-</u>	<u>-</u>
Change in net position	1,361	1,195	(626)	(405)	735	790
Net position - beginning of year	<u>62,272</u>	<u>61,077</u>	<u>32,301</u>	<u>32,706</u>	<u>94,573</u>	<u>93,783</u>
Net position - end of year	\$ <u>63,633</u>	\$ <u>62,272</u>	\$ <u>31,675</u>	\$ <u>32,301</u>	\$ <u>95,308</u>	\$ <u>94,573</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,360,733. Key elements of this change are as follows:

General fund operations	\$ (12,587)
Major governmental fund operations	(996,461)
Nonmajor governmental fund operations	2,660,255
Internal service fund operations	(444,529)
Depreciation expense in excess of principal debt service	(3,488,595)
Change in net pension liability, net of related deferrals	479,701
Change in net OPEB liability, net of related deferrals	1,019,000
Capital asset additions	1,765,833
Other	<u>378,116</u>
Total	<u>\$ 1,360,733</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(626,377). Key elements of this change are as follows:

Sewer Fund:	
Budgetary results of operations	\$ 1,482,545
Depreciation expense in excess of principal debt service	(589,674)
Change in deferred revenue	(1,249,613)
Other	<u>(321,103)</u>
Subtotal	(677,845)
Water Fund:	
Budgetary results of operations	824,153
Depreciation expense in excess of principal debt service	(150,576)
Other	<u>(622,109)</u>
Subtotal	<u>51,468</u>
Grand total	<u>\$ (626,377)</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, 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.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,304,851 while total fund balance was \$20,046,452. Unassigned fund balance increased by \$439,232 in fiscal year 2021. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>% of General Fund Expenditures ⁽²⁾</u>
Unassigned fund balance ⁽¹⁾	\$ 8,304,851	\$ 7,865,619	\$ 439,232	16.8%
Total fund balance	\$ 20,046,452	\$ 20,059,040	\$ (12,588)	40.6%

⁽¹⁾ Includes general stabilization fund.

⁽²⁾ Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teacher Retirement System of \$2,844,696.

The total fund balance of the general fund changed by \$(12,588) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 722,532
Expenditures less than budget	1,329,928
Use of free cash	(2,863,640)
Change in prepaid tuition	(150,244)
Change in stabilization funds	406,113
Change in carryforwards	585,276
Other	(42,553)
Total	\$ <u>(12,588)</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
General stabilization (unassigned)	\$ 3,251,586	\$ 3,139,681	\$ 111,905
Ambulance stabilization (committed)	249,264	175,094	74,170
Capital stabilization (committed)	5,948,047	5,743,342	204,705
Special education reserve stabilization (committed)	445,542	430,209	15,333
Total	\$ <u>9,894,439</u>	\$ <u>9,488,326</u>	\$ <u>406,113</u>

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$2,660,254 primarily from unspent funds for the Fairhaven Athletic Fields and timing differences between the receipt and disbursement of grants.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$6,212,997, a change \$(42,305) in comparison to the prior year.

Unrestricted net position of the internal service fund at the end of the year amounted to \$2,000,153, a change of \$(444,529) in comparison to the prior year. The decrease is due to an increase in claims during fiscal year 2021, which can be attributed to the impact of the COVID-19 pandemic.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

The largest budgetary surplus was miscellaneous revenues of \$529,130. This primarily due to the Town receiving revenue for the sale of Oxford School.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$127,035,135 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included improvements to various Town buildings and the purchase of various public safety and highway vehicles.

Long-Term Debt

At the end of the current fiscal year, total bonds and loans outstanding was \$16,531,674, all of which was backed by the full faith and credit of the government.

The Town maintained their AA+ rating from S&P Global Ratings for general obligation debt.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director/Treasurer/Collector
Town of Fairhaven
40 Center Street
Fairhaven, Massachusetts 02719

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Net Position
June 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 21,105,406	\$ 9,874,494	\$ 30,979,900
Investments	14,147,441	1,207,700	15,355,141
Receivables, net of allowance for uncollectibles:			
Property taxes	538,731	-	538,731
Excises	503,843	-	503,843
User fees	14,101	447,112	461,213
Departmental and other	449,573	-	449,573
Special assessments	-	153,751	153,751
Intergovernmental	174,055	-	174,055
Notes receivable	594,607	-	594,607
Deposits held by others	1,046,700	-	1,046,700
Prepaid items	<u>736,336</u>	<u>-</u>	<u>736,336</u>
Total Current Assets	39,310,793	11,683,057	50,993,850
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	708,521	-	708,521
User fees	-	148,292	148,292
Special assessments	4,601	493,433	498,034
Intergovernmental	1,650,393	-	1,650,393
Other assets	857,957	-	857,957
Capital assets:			
Nondepreciable capital assets	23,756,033	2,340,368	26,096,401
Other capital assets, net of accumulated depreciation	<u>68,574,403</u>	<u>32,364,331</u>	<u>100,938,734</u>
Total Noncurrent Assets	<u>95,551,908</u>	<u>35,346,424</u>	<u>130,898,332</u>
Total Assets	134,862,701	47,029,481	181,892,182
Deferred Outflows of Resources			
Related to pensions	2,755,000	372,000	3,127,000
Related to OPEB	<u>12,104,838</u>	<u>534,458</u>	<u>12,639,296</u>
Total Deferred Outflows of Resources	14,859,838	906,458	15,766,296

(continued)

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Net Position
June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	\$ 2,094,206	\$ 522,499	\$ 2,616,705
Accrued liabilities	849,912	69,933	919,845
Notes payable	638,000	1,900,000	2,538,000
Tax refunds payable	84,554	-	84,554
Unearned Revenues	841,431	-	841,431
Other current liabilities	422,848	36,430	459,278
Current portion of long-term liabilities:			
Bonds and loans payable	787,000	564,602	1,351,602
Compensated absences	154,475	30,814	185,289
Landfill liability	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Liabilities	5,897,426	3,124,278	9,021,704
Noncurrent:			
Bonds and loans payable, net of current portion	7,098,000	8,082,072	15,180,072
Net pension liability	12,952,000	1,657,000	14,609,000
Net OPEB liability	43,597,887	1,924,952	45,522,839
Compensated absences, net of current portion	1,390,274	277,328	1,667,602
Landfill liability, net of current portion	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total Noncurrent Liabilities	<u>65,238,161</u>	<u>11,941,352</u>	<u>77,179,513</u>
Total Liabilities	71,135,587	15,065,630	86,201,217
Deferred Inflows of Resources			
Related to pensions	4,236,000	722,000	4,958,000
Related to OPEB	<u>10,717,821</u>	<u>473,218</u>	<u>11,191,039</u>
Total Deferred Inflows of Resources	14,953,821	1,195,218	16,149,039
Net Position			
Net investment in capital assets	83,884,620	25,462,094	109,346,714
Restricted for:			
Grants and other statutory restrictions	6,632,588	-	6,632,588
Endowment funds:			
Nonexpendable	3,453,291	-	3,453,291
Expendable	358,405	-	358,405
Unrestricted	<u>(30,695,773)</u>	<u>6,212,997</u>	<u>(24,482,776)</u>
Total Net Position	<u>\$ 63,633,131</u>	<u>\$ 31,675,091</u>	<u>\$ 95,308,222</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2021

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
Governmental Activities				
General government	\$ 5,937,429	\$ 590,838	\$ 575,689	\$ (4,119,414)
Public safety	11,544,651	233,987	919,565	(8,661,976)
Education	36,594,275	17,569,065	-	(16,084,622)
Public works	6,277,629	425	516,473	(5,659,345)
Human services	1,197,051	684,514	-	(512,537)
Culture and recreation	1,443,743	50,087	-	(1,309,153)
Interest on long-term debt	305,680	-	-	(305,680)
Intergovernmental	679,125	-	-	(679,125)
Total Governmental Activities	63,979,583	19,128,916	2,011,727	(37,331,852)
Business-Type Activities				
Sewer services	4,202,563	-	31,298	(1,108,552)
Water services	3,150,661	373,319	-	424,610
Total Business-Type Activities	7,353,224	373,319	31,298	(683,942)
Total	\$ 71,332,807	\$ 19,502,235	\$ 2,043,025	(38,015,794)
General Revenues, Contributions and Transfers				
Property taxes				30,793,459
Excises				2,189,348
Penalties, interest and other taxes				345,967
Grants and contributions not restricted to specific programs				3,297,553
Investment income				44,412
Miscellaneous				6,305
Transfers, net				6,848
Total General Revenues, Contributions and Transfers				38,692,585
Change in Net Position				(626,377)
Net Position				
Beginning of year				94,573,866
End of year				\$ 95,308,222

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 11,789,529	\$ 61,253	\$ 7,597,958	\$ 19,448,740
Investments	9,845,719	-	4,301,722	14,147,441
Receivables:				
Property taxes	1,386,967	-	13,003	1,399,970
Excises	675,418	-	-	675,418
User fees	-	-	17,228	17,228
Departmental and other	10,151	-	439,422	449,573
Special assessments	-	-	4,601	4,601
Intergovernmental	174,055	-	1,650,393	1,824,448
Notes receivable	-	594,607	-	594,607
Prepaid items	<u>736,336</u>	<u>-</u>	<u>-</u>	<u>736,336</u>
Total Assets	\$ <u>24,618,175</u>	\$ <u>655,860</u>	\$ <u>14,024,327</u>	\$ <u>39,298,362</u>
Liabilities				
Accounts payable	\$ 1,585,988	\$ 86,797	\$ 63,692	\$ 1,736,477
Accrued liabilities	490,352	6,840	7,236	504,428
Notes payable	-	-	638,000	638,000
Unearned revenue	-	841,431	-	841,431
Other liabilities	<u>422,848</u>	<u>-</u>	<u>-</u>	<u>422,848</u>
Total Liabilities	2,499,188	935,068	708,928	4,143,184
Deferred Inflows of Resources				
Unavailable revenues	2,072,535	594,607	2,069,680	4,736,822
Fund Balances				
Nonspendable	736,336	-	3,453,291	4,189,627
Restricted	-	260,851	8,373,949	8,634,800
Committed	8,240,794	-	-	8,240,794
Assigned	2,764,471	-	-	2,764,471
Unassigned	<u>8,304,851</u>	<u>(1,134,666)</u>	<u>(581,521)</u>	<u>6,588,664</u>
Total Fund Balances	<u>20,046,452</u>	<u>(873,815)</u>	<u>11,245,719</u>	<u>30,418,356</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>24,618,175</u>	\$ <u>655,860</u>	\$ <u>14,024,327</u>	\$ <u>39,298,362</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 30,418,356
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	92,330,436
Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	2,755,000
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	12,104,838
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	5,267,359
Internal service funds are used by management to account for health and dental insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	2,000,153
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(7,885,000)
Net pension liability	(12,952,000)
Net OPEB liability	(43,597,887)
Compensated absences	(1,544,749)
Landfill liability	(225,000)
Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(4,236,000)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(10,717,821)
Other reconciling items.	<u>(84,554)</u>
Net position of governmental activities	\$ <u>63,633,131</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 29,994,510	\$ -	\$ 430,153	\$ 30,424,663
Excises	1,917,268	-	-	1,917,268
Penalties, interest and other taxes	343,733	-	2,258	345,991
Charges for services	3,300,534	-	1,816,379	5,116,913
Licenses and permits	659,957	-	-	659,957
Intergovernmental	14,918,045	2,420,866	3,423,464	20,762,375
Fines and forfeitures	7,309	-	-	7,309
Investment income	396,510	-	1,048,738	1,445,248
Contributions	-	-	52,566	52,566
Miscellaneous	<u>711,501</u>	<u>-</u>	<u>16,030</u>	<u>727,531</u>
Total Revenues	52,249,367	2,420,866	6,789,588	61,459,821
Expenditures				
Current:				
General government	3,060,028	2,100,906	434,511	5,595,445
Public safety	8,196,437	1,186,908	111,158	9,494,503
Education	25,554,796	458	2,870,046	28,425,300
Public works	3,811,777	-	508,189	4,319,966
Human services	907,399	120,839	14,892	1,043,130
Culture and recreation	1,134,034	7,926	240,012	1,381,972
Employee benefits	7,729,387	-	35,260	7,764,647
Debt service				
Principal	792,000	-	-	792,000
Interest	305,680	-	-	305,680
Intergovernmental	<u>679,125</u>	<u>-</u>	<u>-</u>	<u>679,125</u>
Total Expenditures	<u>52,170,663</u>	<u>3,417,037</u>	<u>4,214,068</u>	<u>59,801,768</u>
Excess (Deficiency) of revenues over expenditures	78,704	(996,171)	2,575,520	1,658,053
Other Financing Sources (Uses)				
Transfers in	1,384,962	-	1,469,406	2,854,368
Transfers out	<u>(1,476,254)</u>	<u>(290)</u>	<u>(1,384,672)</u>	<u>(2,861,216)</u>
Total Other Financing Sources (Uses)	<u>(91,292)</u>	<u>(290)</u>	<u>84,734</u>	<u>(6,848)</u>
Change in fund balance	(12,588)	(996,461)	2,660,254	1,651,205
Fund Balance, at Beginning of Year, as Reclassified	<u>20,059,040</u>	<u>122,646</u>	<u>8,585,465</u>	<u>28,767,151</u>
Fund Balance, at End of Year	\$ <u>20,046,452</u>	\$ <u>(873,815)</u>	\$ <u>11,245,719</u>	\$ <u>30,418,356</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement Of Activities
For The Year Ended June 30, 2021

Net changes in fund balances - total governmental funds \$ 1,651,205

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:

Capital outlay	1,765,833
Depreciation	(4,280,595)
Net effect of disposal of assets	(4,043)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of general obligation bonds	792,000
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Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts.

(6,345)

Internal service funds are used by management to account for health and dental insurance activities. The net activity of internal service funds is reported with Governmental Activities.

(444,529)

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:

Change in net pension liability and related deferred outflows and inflows	1,019,000
Change in net OPEB liability and related deferred outflows and inflows	479,701
Other differences	<u>388,506</u>

Change in net position of governmental activities \$ 1,360,733

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Assets				
Current:				
Cash and short-term investments	\$ 6,383,285	\$ 3,491,209	\$ 9,874,494	\$ 1,656,666
Investments	1,207,700	-	1,207,700	-
Deposits held by others	-	-	-	1,046,700
Receivables, net of allowance for uncollectibles:				
User fees	241,259	205,853	447,112	-
Special assessments	<u>153,751</u>	<u>-</u>	<u>153,751</u>	<u>-</u>
Total Current Assets	7,985,995	3,697,062	11,683,057	2,703,366
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
User fees	95,546	52,746	148,292	-
Special assessments	493,433	-	493,433	-
Capital assets:				
Nondepreciable capital assets	1,480,029	860,339	2,340,368	-
Other capital assets, net of accumulated depreciation	<u>28,818,113</u>	<u>3,546,218</u>	<u>32,364,331</u>	<u>-</u>
Total Noncurrent Assets	<u>30,887,121</u>	<u>4,459,303</u>	<u>35,346,424</u>	<u>-</u>
Total Assets	38,873,116	8,156,365	47,029,481	2,703,366
Deferred Outflows of Resources				
Related to pensions	217,000	155,000	372,000	-
Related to OPEB	<u>376,317</u>	<u>158,141</u>	<u>534,458</u>	<u>-</u>
Total Deferred Outflows of Resources	593,317	313,141	906,458	-
Liabilities				
Current:				
Accounts payable	447,565	74,934	522,499	357,729
Accrued liabilities	43,262	26,671	69,933	345,484
Notes payable	900,000	1,000,000	1,900,000	-
Other current liabilities	36,430	-	36,430	-
Current portion of long-term liabilities:				
Bonds and loans payable	515,590	49,012	564,602	-
Compensated absences	<u>21,421</u>	<u>9,393</u>	<u>30,814</u>	<u>-</u>
Total Current Liabilities	1,964,268	1,160,010	3,124,278	703,213
Noncurrent:				
Bonds and loans payable, net of current portion	7,551,430	530,642	8,082,072	-
Net pension liability	1,081,000	576,000	1,657,000	-
Net OPEB liability	1,355,377	569,575	1,924,952	-
Compensated absences, net of current portion	<u>192,787</u>	<u>84,541</u>	<u>277,328</u>	<u>-</u>
Total Noncurrent Liabilities	<u>10,180,594</u>	<u>1,760,758</u>	<u>11,941,352</u>	<u>-</u>
Total Liabilities	12,144,862	2,920,768	15,065,630	703,213
Deferred Inflows of Resources				
Related to pensions	411,000	311,000	722,000	-
Related to OPEB	<u>333,197</u>	<u>140,021</u>	<u>473,218</u>	<u>-</u>
Total Deferred Inflows of Resources	744,197	451,021	1,195,218	-
Net Position				
Net investment in capital assets	21,687,725	3,774,369	25,462,094	-
Unrestricted	<u>4,889,649</u>	<u>1,323,348</u>	<u>6,212,997</u>	<u>2,000,153</u>
Total Net Position	\$ <u>26,577,374</u>	\$ <u>5,097,717</u>	\$ <u>31,675,091</u>	\$ <u>2,000,153</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 3,062,713	\$ 3,188,220	\$ 6,250,933	\$ -
Employee and employer contributions	-	-	-	7,044,004
Other	-	13,732	13,732	-
Total Operating Revenues	3,062,713	3,201,952	6,264,665	7,044,004
Operating Expenses				
Personnel services	1,696,944	1,088,492	2,785,436	7,495,815
Other operating expenses	1,111,979	463,033	1,575,012	-
Depreciation	1,104,030	198,865	1,302,895	-
Intergovernmental assessments	-	1,386,650	1,386,650	-
Total Operating Expenses	3,912,953	3,137,040	7,049,993	7,495,815
Operating Income (Loss)	(850,240)	64,912	(785,328)	(451,811)
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	373,319	-	373,319	-
Investment income	44,235	177	44,412	7,282
Miscellaneous	6,305	-	6,305	-
Interest expense	(289,610)	(13,621)	(303,231)	-
Total Nonoperating Revenues (Expenses), Net	134,249	(13,444)	120,805	7,282
Income (Loss) Before Transfers and Capital Contributions	(715,991)	51,468	(664,523)	(444,529)
Transfers in	6,848	-	6,848	-
Capital contributions	31,298	-	31,298	-
Change in Net Position	(677,845)	51,468	(626,377)	(444,529)
Net Position at Beginning of Year	27,255,219	5,046,249	32,301,468	2,444,682
Net Position at End of Year	\$ 26,577,374	\$ 5,097,717	\$ 31,675,091	\$ 2,000,153

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 3,111,250	\$ 3,224,596	\$ 6,335,846	\$ 7,044,004
Payments to employees	(1,740,192)	(1,053,316)	(2,793,508)	-
Payments to vendors	(726,692)	(1,804,729)	(2,531,421)	(7,471,543)
Net Cash Provided By (Used For) Operating Activities	644,366	366,551	1,010,917	(427,539)
Cash Flows From Noncapital Financing Activities				
Intergovernmental revenue	373,319	-	373,319	-
Transfers in	6,848	-	6,848	-
Net Cash Provided By Noncapital Financing Activities	380,167	-	380,167	-
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(724,158)	(52,534)	(776,692)	-
Proceeds of notes	200,000	1,000,000	1,200,000	-
Principal payments on bonds and loans	(514,355)	(48,289)	(562,644)	-
Payments on notes	265,947	-	265,947	-
Interest expense	(289,610)	(13,621)	(303,231)	-
Capital reimbursements from Mattapoisett	981,821	-	981,821	-
Other	6,305	-	6,305	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(74,050)	885,556	811,506	-
Cash Flows From Investing Activities				
Investments	(300,524)	-	(300,524)	-
Investment income	44,235	177	44,412	7,282
Net Cash Provided By (Used For) Investing Activities	(256,289)	177	(256,112)	7,282
Net Change in Cash and Short-Term Investments	694,194	1,252,284	1,946,478	(420,257)
Cash and Short-Term Investments, Beginning of Year	5,689,091	2,238,925	7,928,016	2,076,923
Cash and Short-Term Investments, End of Year	\$ 6,383,285	\$ 3,491,209	\$ 9,874,494	\$ 1,656,666
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating income (loss)	\$ (850,240)	\$ 64,912	\$ (785,328)	\$ (451,811)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,104,030	198,865	1,302,895	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	32,575	23,518	56,093	-
Deposits held by others	-	-	-	(21,300)
Deferred outflows - related to pensions	141,000	97,000	238,000	-
Deferred outflows - related to OPEB	(257,605)	(114,663)	(372,268)	-
Accounts payable	385,287	44,954	430,241	802
Accrued liabilities	4,055	1,979	6,034	44,770
Other liabilities	31,044	4,675	35,719	-
Net pension liability	(345,000)	(178,000)	(523,000)	-
Net OPEB liability	275,059	173,910	448,969	-
Deferred inflows - related to pensions	93,000	20,000	113,000	-
Deferred inflows - related to OPEB	31,161	29,401	60,562	-
Net Cash Provided By (Used For) Operating Activities	\$ 644,366	\$ 366,551	\$ 1,010,917	\$ (427,539)

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ 308,092	\$ 77,927	\$ 2,107,330
Investments:			
Certificates of deposits	-	39,353	-
Corporate bonds	-	254,346	-
Corporate equities	1,134,497	641,998	-
Equity mutual funds	498,685	38,943	-
External investment pool	78,276,094	-	-
Federal agency securities	<u>-</u>	<u>156,781</u>	<u>-</u>
Total Investments	79,909,276	1,131,421	-
Receivables	<u>148,361</u>	<u>-</u>	<u>-</u>
Total Assets	80,365,729	1,209,348	2,107,330
 Liabilities			
Accounts payable	-	-	126,374
Accrued liabilities	-	-	15,063
Other liabilities	<u>-</u>	<u>-</u>	<u>109,374</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>250,811</u>
 Net Position			
Restricted for pension purposes	78,727,823	-	-
Restricted for OPEB purposes	1,637,906	-	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>1,209,348</u>	<u>1,856,519</u>
Total Net Position	\$ <u>80,365,729</u>	\$ <u>1,209,348</u>	\$ <u>1,856,519</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Fund</u>	Custodial <u>Funds</u>
Additions			
Contributions:			
Employer	\$ 5,713,758	\$ -	\$ -
Plan members	1,339,447	-	-
Other systems and Commonwealth of Massachusetts	121,260	-	-
Other	<u>18,717</u>	<u>16,600</u>	<u>-</u>
Total contributions	7,193,182	16,600	-
Investment Income:			
Investment income	66,931	21,016	-
Increase in fair value of investments	9,028,363	194,902	-
Less: management fees	<u>(341,631)</u>	<u>-</u>	<u>-</u>
Net investment income	8,753,663	215,918	-
Fees collected for Mattapoisett River Valley Water District	-	-	2,359,535
Fees collected for Water Supply Protection Committee	-	-	90,744
Fees collected for SEMASS	-	-	1,061,114
Fees collected for students	-	-	147,953
Miscellaneous	<u>-</u>	<u>-</u>	<u>539,807</u>
Total additions	15,946,845	232,518	4,199,153
Deductions			
Benefit payments to plan members, beneficiaries, and other systems	7,158,557	-	-
Member refunds and transfers to other systems	176,576	-	-
Administrative expenses	113,983	-	-
Payments to Mattapoisett River Valley Water District	-	-	1,813,073
Payments to Water Supply Protection Committee	-	-	49,360
Payments to SEMASS	-	-	1,039,703
Payments on behalf of students	-	-	247,266
Other	<u>-</u>	<u>17,550</u>	<u>557,500</u>
Total deductions	<u>7,449,116</u>	<u>17,550</u>	<u>3,706,902</u>
Net increase	8,497,729	214,968	492,251
Net position restricted for pensions, OPEB, and other purposes			
Beginning of year	<u>71,868,000</u>	<u>994,380</u>	<u>1,364,268</u>
End of year	<u>\$ 80,365,729</u>	<u>\$ 1,209,348</u>	<u>\$ 1,856,519</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Fairhaven, Massachusetts (the Town) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. The criteria provided in Governmental Accounting Standards Board Codification section 2100 have been considered and, as a result, the component unit discussed below is included in these financial statements because of its operational significance and financial relationship with the Town.

The Fairhaven Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information for the System can be obtained by contacting the System's retirement administrator, located at Town of Fairhaven, 40 Center Street, Fairhaven, MA 02719.

Government-Wide and Fund Financial Statements

Government-Wide 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Town Grants Fund* accounts for all financial resources related to federal, state, and local grants.

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 liabilities are 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 of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Sewer Fund* is used to account for the Town's sewer enterprise fund operations.
- The *Water Fund* is used to account for the Town's water enterprise fund operations.

The self-insured medical and dental claims trust is reported as an *Internal Service Fund* in the accompanying financial statements.

The fiduciary 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 liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Pension and OPEB Trust Funds* are used to accumulate resources for retiree post-employment benefits.
- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in a permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include funds collected on behalf of the Mattapoissett River Valley Water District, Water Supply Protection Committee, SEMASS, and students of the Fairhaven Public Schools.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, money markets, MMDT, savings accounts, and money market accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured at NAV for fair value are not subject to level classification.

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$1,253. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Improvements	20 - 40
Infrastructure	30 - 75
Machinery and equipment	5 - 10

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. The general fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

The following funds were in a deficit as of June 30, 2021:

Town Grants	\$ (1,134,666)
Nonmajor Governmental Funds	
High School gym dehumidification project	(283,000)
Fiber optic connection project	(155,000)
Council on aging HVAC project	(122,816)
Chapter 90 projects	(20,350)
Other	<u>(355)</u>
Total	\$ <u>(1,716,187)</u>

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, grant revenues, and bond proceeds.

3. Deposits and Investments

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

Town (Excluding the Pension Trust Fund)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have deposit policies for custodial credit risk.

As of June 30, 2021, \$1,182,866 of the Town's bank balance of \$46,387,136 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

The following is a summary of the Town's (excluding Pension Trust Fund) investments as of June 30, 2021 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 5,423
Corporate equities	7,020
Equity mutual funds	1,495
Federal agency securities	3,343
Market-linked certificates of deposits	<u>839</u>
Total investments	<u>\$ 18,120</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. The Town does not have formal investment policies related to credit risk.

As of June 30, 2021, the credit quality rating, as rated by S&P Global Ratings, of the Town's debt securities are as follows (U.S. Treasury notes have an implied rating of AAA) (in thousands):

<u>Investment Type</u>	<u>Rating as of Year End</u>						<u>Not Readily Available</u>
	<u>Amount</u>	<u>AAA</u>	<u>A2</u>	<u>A1</u>	<u>BAA1</u>	<u>BAA2</u>	
Corporate bonds	\$ 5,423	\$ -	\$ 1,537	\$ 1,046	\$ 1,950	\$ 890	\$ -
Federal agency securities	3,343	3,343	-	-	-	-	-
Market-linked certificates of deposits	<u>839</u>	-	-	-	-	-	<u>839</u>
Total	<u>\$ 9,605</u>	<u>\$ 3,343</u>	<u>\$ 1,537</u>	<u>\$ 1,046</u>	<u>\$ 1,950</u>	<u>\$ 890</u>	<u>\$ 839</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2021, the Town's total investments were not subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investments in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded

from concentration of credit disclosure. The Town does not have investments in any one issuer that represents 5% or more of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less</u>		
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 5,423	\$ 443	\$ 4,980	\$ -
Federal agency securities	3,343	1,045	2,050	248
Market-linked certificates of deposits	<u>839</u>	<u>177</u>	<u>662</u>	<u>-</u>
Total	<u>\$ 9,605</u>	<u>\$ 1,665</u>	<u>\$ 7,692</u>	<u>\$ 248</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar

but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Town's OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Town has the following fair value measurements as of June 30, 2021 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate bonds	\$ 5,423	\$ -	\$ 5,423	\$ -
Corporate equities	7,020	7,020	-	-
Equity mutual funds	1,495	1,495	-	-
Federal agency securities	<u>3,343</u>	<u>-</u>	<u>3,343</u>	<u>-</u>
Total	<u>\$ 17,281</u>	<u>\$ 8,515</u>	<u>\$ 8,766</u>	<u>\$ -</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Pension Trust Fund (The System)

The following is a summary of the System's investments as of December 31, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
External investment pool	\$ 78,276

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under MGL, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, chapter 30B.*

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. MGL, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateralized loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security.

All of the System's investments are reported at fair value* and comprise shares in the PRIT fund, which is exempt from credit risk disclosure.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22 in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System's investment policy manages custodial credit risk through diversification and the "prudent person" principles outlined in PERAC guidelines.

The System's investments of \$78,276,094 comprise of pooled investment funds, which are exempt from custodial credit risk.

Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

All of the System's investments are in the PRIT fund.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have policies for foreign currency risk.

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The System's investments in the PRIT Fund are measured during net asset value (NAV).

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to fair value hierarchy level classification.

The System has the following fair value measurements as of December 31, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
State Investment Pool (PRIT)	\$ 78,276	\$ -	Monthly	30 Days

4. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2021 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 431,150	\$ (52,514)	\$ 378,636	\$ -
Personal property taxes	18,777	(5,057)	13,720	-
Community preservation act	13,003	(1,443)	11,560	-
Tax liens	920,635	(92,063)	134,815	693,757
Deferred taxes	16,405	(1,641)	-	14,764
Total property taxes	<u>\$ 1,399,970</u>	<u>\$ (152,718)</u>	<u>\$ 538,731</u>	<u>\$ 708,521</u>
Motor vehicle excise	\$ 660,454	\$ (164,392)	\$ 496,062	
Boat excise	14,964	(7,183)	7,781	
Total excises	<u>\$ 675,418</u>	<u>\$ (171,575)</u>	<u>\$ 503,843</u>	

5. User Fees Receivable

Receivables for user charges at June 30, 2021 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Proprietary Funds			
Sewer	\$ 358,257	\$ (21,452)	\$ 336,805
Water	<u>274,632</u>	<u>(16,033)</u>	<u>258,599</u>
Subtotal proprietary funds	632,889	(37,485)	595,404
Governmental Funds			
Waterways	<u>17,228</u>	<u>(3,127)</u>	<u>14,101</u>
Subtotal governmental funds	<u>17,228</u>	<u>(3,127)</u>	<u>14,101</u>
Total	<u>\$ 650,117</u>	<u>\$ (40,612)</u>	<u>\$ 609,505</u>

6. Departmental and Other Receivables

This balance consists primarily of ambulance charges and stop-loss adjustments due from the Town's health insurance carrier for medical claims in excess of stop-loss limits in the Town's self-insured internal service fund.

7. Special Assessments Receivable

This balance represents Title V tax liens and sewer special assessment receivables.

8. Intergovernmental Receivables

This represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2021.

9. Interfund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 1,384,962	\$ 1,476,254
Town Grants Fund	-	290
Nonmajor Governmental Funds:		
Special revenue funds:		
Ambulance	-	1,265,000
Waterways	19,406	73,218
Other	-	46,454
Capital projects funds	<u>1,450,000</u>	<u>-</u>
Subtotal nonmajor governmental funds	1,469,406	1,384,672
Business-Type Funds		
Sewer Fund	<u>6,848</u>	<u>-</u>
Subtotal business-type funds	<u>6,848</u>	<u>-</u>
Total	<u>\$ 2,861,216</u>	<u>\$ 2,861,216</u>

Of the transfers into the general fund, \$1,265,000 was transferred from the ambulance receipts reserve for appropriation fund for the annual reimbursement of the general fund for EMT-related expenses and \$50,000 was transferred from waterways revolving fund for salaries and capital items. The transfer made from the ambulance receipts reserved for appropriation fund to the general fund was made from a recurring revenue source. One of the transfers from the general fund to the capital project funds of \$1,200,000 was for the Fairhaven High School Athletic Turf Fields project.

10. Deposits Held by Others

This balance represents the total working deposit held by the Town's self-insured health administrator for ongoing medical and dental claims.

11. Notes Receivable

This balance represents the outstanding balance of home rehabilitation loans funded by Community Development Block Grants.

12. Prepaid Items

This balance represents payments made to collaboratives for fiscal year 2022 tuition.

13. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings	\$ 67,446	\$ -	\$ (111)	\$ 67,335
Improvements	16,377	-	-	16,377
Machinery and equipment	8,756	189	-	8,945
Infrastructure	<u>35,919</u>	<u>-</u>	<u>-</u>	<u>35,919</u>
Total capital assets, being depreciated	128,498	189	(111)	128,576
Less accumulated depreciation for:				
Buildings	(26,905)	(1,651)	111	(28,445)
Improvements	(7,143)	(701)	-	(7,844)
Machinery and equipment	(5,044)	(806)	-	(5,850)
Infrastructure	<u>(16,740)</u>	<u>(1,123)</u>	<u>-</u>	<u>(17,863)</u>
Total accumulated depreciation	<u>(55,832)</u>	<u>(4,281)</u>	<u>111</u>	<u>(60,002)</u>
Capital assets, being depreciated, net	72,666	(4,092)	-	68,574
Capital assets, not being depreciated:				
Land	22,184	-	(4)	22,180
Construction in progress	<u>-</u>	<u>1,576</u>	<u>-</u>	<u>1,576</u>
Total capital assets, not being depreciated	<u>22,184</u>	<u>1,576</u>	<u>(4)</u>	<u>23,756</u>
Governmental activities capital assets, net	\$ <u>94,850</u>	\$ <u>(2,516)</u>	\$ <u>(4)</u>	\$ <u>92,330</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and system	\$ 36,528	\$ 8,746	\$ -	\$ 45,274
Improvements other than buildings	23,344	-	-	23,344
Machinery and equipment	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total capital assets, being depreciated	63,872	8,746	-	72,618
Less accumulated depreciation for:				
Buildings and system	(24,069)	(734)	-	(24,803)
Improvements other than buildings	(11,601)	(456)	-	(12,057)
Machinery and equipment	<u>(3,281)</u>	<u>(113)</u>	<u>-</u>	<u>(3,394)</u>
Total accumulated depreciation	<u>(38,951)</u>	<u>(1,303)</u>	<u>-</u>	<u>(40,254)</u>
Capital assets, being depreciated, net	24,921	7,443	-	32,364
Capital assets, not being depreciated:				
Land	989	-	-	989
Construction in progress	<u>9,321</u>	<u>777</u>	<u>(8,747)</u>	<u>1,351</u>
Total capital assets, not being depreciated	<u>10,310</u>	<u>777</u>	<u>(8,747)</u>	<u>2,340</u>
Business-type activities capital assets, net	\$ <u>35,231</u>	\$ <u>8,220</u>	\$ <u>(8,747)</u>	\$ <u>34,704</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 412
Public safety	554
Education	1,865
Public works	1,323
Culture and recreation	<u>127</u>
Total governmental activities	\$ <u>4,281</u>
Business-Type Activities	
Sewer fund	\$ 1,104
Water fund	<u>199</u>
Total business-type activities	\$ <u>1,303</u>

14. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

15. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

16. Notes Payable

The Town had the following notes outstanding at June 30, 2021:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/21
<u>Governmental Activities</u>				
Fiber Optic Connectivity	0.38%	05/26/21	05/26/22	\$ 155,000
High School Gym Dehumidification	0.38%	05/26/21	05/26/22	283,000
Senior Center HVAC	0.38%	05/26/21	05/26/22	200,000
Total				<u>\$ 638,000</u>
<u>Business-Type Activities</u>				
West Island Sewer	0.38%	05/26/21	05/26/22	\$ 700,000
Water Meters	1.00%	06/24/21	05/26/22	1,000,000
Sewer Treatment Plant Improvement	1.00%	06/24/21	05/26/22	200,000
Total				<u>\$ 1,900,000</u>

The following summarizes activity in notes payable during fiscal year 2021:

	Balance Beginning of Year	New Issues	Rollover	Balance End of Year
<u>Governmental Activities</u>				
Fiber Optic Connectivity	\$ 155,000	\$ -	\$ (155,000)	\$ -
High School Gym Dehumidification	283,000	-	(283,000)	-
Senior Center HVAC	200,000	-	(200,000)	-
Fiber Optic Connectivity	-	-	155,000	155,000
High School Gym Dehumidification	-	-	283,000	283,000
Senior Center HVAC	-	-	200,000	200,000
Total	<u>\$ 638,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,000</u>
<u>Business-Type Activities</u>				
West Island Sewer	\$ 700,000	\$ -	\$ (700,000)	\$ -
West Island Sewer	-	-	700,000	700,000
Water Meters	-	1,000,000	-	1,000,000
Sewer Treatment Plant Improvement	-	200,000	-	200,000
Total	<u>\$ 700,000</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,900,000</u>

17. Long-Term Debt

General Obligation Bonds and Loans

The Town issues general obligation bonds and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. Direct borrowings have been issued for only business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

	Serial Maturities	Interest	Amount Outstanding as of
<u>Governmental Activities</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>6/30/21</u>
General obligation bonds:			
Elementary school	11/01/33	3.0 - 4.0%	\$ 5,875,000
High school - refunding	12/15/24	2.0 - 5.0%	185,000
Elementary and high school - refunding	03/15/27	2.0 - 3.0%	1,120,000
General obligation - ladder truck	06/30/29	3.0 - 5.0%	<u>705,000</u>
Total general obligation bonds			<u>\$ 7,885,000</u>
	Serial Maturities	Interest	Amount Outstanding as of
<u>Business-Type Activities</u>	<u>Through</u>	<u>Rate(s) %</u>	<u>6/30/21</u>
Sewer - UV Disinfection refunding	12/15/24	2.0 - 5.0%	\$ 276,000
Sewer - Sconticut Neck refunding	12/15/24	2.0 - 5.0%	380,892
Sewer - General obligation	06/30/39	3.0 - 5.0%	6,875,000
Water - Boston Hill Water Tank	11/01/22	3.0 - 4.0%	<u>30,000</u>
Subtotal bonds			7,561,892
Sewer - USDA Rural Development	02/02/26	4.5%	69,244
Sewer Digester	01/15/33	2.0%	465,884
Water - MCWT Boston Hill Water Tank	07/15/35	2.0%	<u>549,654</u>
Subtotal loans payable (direct borrowings)			<u>1,084,782</u>
Total Business-Type Activities			<u>\$ 8,646,674</u>

Future Debt Service

The annual payments to retire all general obligation and direct borrowings long-term debt outstanding as of June 30, 2021 are as follows:

	Bonds				
	Governmental	Principal	Interest	Total	
2022	\$	787,000	\$ 252,320	\$	1,039,320
2023		782,000	228,860		1,010,860
2024		781,000	207,315		988,315
2025		775,000	193,400		968,400
2026		725,000	162,000		887,000
2027		715,000	131,700		846,700
2028		535,000	108,000		643,000
2029		535,000	92,250		627,250
2030		450,000	76,500		526,500
2031		450,000	60,188		510,188
2032 - 2034		<u>1,350,000</u>	<u>78,750</u>		<u>1,428,750</u>
Total	\$	<u>7,885,000</u>	\$ <u>1,591,283</u>	\$	<u>9,476,283</u>

Business-Type	Bonds		Loans Payable (Direct Borrowings)		Total
	Principal	Interest	Principal	Interest	
2022	\$ 479,892	\$ 255,355	\$ 84,710	\$ 23,714	\$ 843,671
2023	473,000	235,640	86,931	21,612	817,183
2024	459,000	221,810	89,216	20,549	790,575
2025	460,000	202,250	91,082	21,886	775,218
2026	330,000	184,325	74,555	14,656	603,536
2027	340,000	174,425	76,176	13,165	603,766
2028	350,000	164,225	77,831	11,641	603,697
2029	360,000	153,725	79,522	10,085	603,332
2030	370,000	142,925	81,251	8,495	602,671
2031	385,000	131,825	83,017	6,871	606,713
2032 - 2036	2,110,000	468,613	260,491	11,403	2,850,507
2037 - 2039	<u>1,445,000</u>	<u>102,375</u>	<u>-</u>	<u>-</u>	<u>1,547,375</u>
Total	\$ <u>7,561,892</u>	\$ <u>2,437,493</u>	\$ <u>1,084,782</u>	\$ <u>164,077</u>	\$ <u>11,248,244</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities (in thousands):

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
					<u>Portion</u>	<u>Portion</u>
Governmental Activities						
Bonds payable	\$ 8,677	\$ -	\$ (792)	\$ 7,885	\$ (787)	\$ 7,098
Net pension liability	16,840	-	(3,888)	12,952	-	12,952
Net OPEB liability	36,497	7,101	-	43,598	-	43,598
Compensated absences	1,634	4	(93)	1,545	(155)	1,390
Landfill liability	250	-	(25)	225	(25)	200
Totals	\$ 63,898	\$ 7,105	\$ (4,798)	\$ 66,205	\$ (967)	\$ 65,238
Business-Type Activities						
Bonds payable	\$ 8,035	\$ -	\$ (473)	\$ 7,562	\$ (480)	\$ 7,082
Loans payable (direct borrowings)	1,174	-	(89)	1,085	(85)	1,000
Subtotal	9,209	-	(562)	8,647	(565)	8,082
Net pension liability	2,180	-	(523)	1,657	-	1,657
Net OPEB liability	1,476	449	-	1,925	-	1,925
Compensated absences	288	24	(4)	308	(31)	277
Totals	\$ 13,153	\$ 473	\$ (1,089)	\$ 12,537	\$ (596)	\$ 11,941

Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds and direct borrowings issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

18. Landfill Post-Closure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$225,000 reported as landfill postclosure care liability at June 30, 2021 represents the estimated future monitoring costs of the Town's former landfill, which was closed and capped in 1999. These costs will be captured annually as part of the Town's budget. Actual cost may be higher than estimated due to inflation, changes in technology, or changes in regulations.

19. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

20. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2021:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental funds reserves for the principal portion of permanent trust funds and general fund prepaid tuition.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the unspent balance of capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

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. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, and special purpose stabilization funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose as established by management. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, fund balance voted to be used for the subsequent year's budget, and funds reserved by Town management for future debt service payments.

Unassigned

Represents amounts that are available to be spent in future periods and funds in deficit.

The following is a breakdown of the Town's fund balances at June 30, 2021:

	General <u>Fund</u>	Town Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 3,453,291	\$ 3,453,291
Prepaid expenditures	<u>736,336</u>	<u>\$ -</u>	<u>-</u>	<u>736,336</u>
Total Nonspendable	736,336	-	3,453,291	4,189,627
Restricted				
Bonded projects	-	-	1,382,956	1,382,956
Special revenue funds:				
Community preservation act	-	-	1,773,685	1,773,685
School lunch	-	-	330,299	330,299
Chapter 90 highway	-	-	154,846	154,846
Social day	-	-	79,737	79,737
Ambulance	-	-	1,480,177	1,480,177
Stormwater maintenance fees	-	-	82,906	82,906
Trash fees	-	-	94,001	94,001
Circuit breaker	-	-	383,740	383,740
PEG access - Town	-	-	767,699	767,699
PEG access - School	-	-	391,971	391,971
School rental property	-	-	123,528	123,528
Preschool tuition	-	-	112,873	112,873
Waterway	-	-	134,813	134,813
Police law enforcement	-	-	93,437	93,437
Animal control	-	-	81,144	81,144
Other	-	260,851	547,732	808,583
Expendable permanent funds	<u>-</u>	<u>-</u>	<u>358,405</u>	<u>358,405</u>
Total Restricted	-	260,851	8,373,949	8,634,800
Committed				
Carryover articles:				
General government	414,179	-	-	414,179
Public safety	431,797	-	-	431,797
Public works	751,965	-	-	751,965
Ambulance stabilization	249,264	-	-	249,264
Capital stabilization	5,948,047	-	-	5,948,047
Special education reserve stabilization	<u>445,542</u>	<u>-</u>	<u>-</u>	<u>445,542</u>
Total Committed	8,240,794	-	-	8,240,794

(continued)

(continued)

	General <u>Fund</u>	Town Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assigned				
Encumbrances:				
General government	88,120	-	-	88,120
Public safety	27,153	-	-	27,153
Education	1,152,734	-	-	1,152,734
Public works	147,239	-	-	147,239
Health and human services	11,391	-	-	11,391
Culture and recreation	2,246	-	-	2,246
Employee benefits	400	-	-	400
Reserve for expenditure:				
Reduce tax levy	285,200	-	-	285,200
Capital budget	973,870	-	-	973,870
Future debt service	76,118	-	-	76,118
Total Assigned	2,764,471	-	-	2,764,471
Unassigned				
General fund	5,053,265	-	-	5,053,265
General stabilization funds	3,251,586	-	-	3,251,586
Town grants fund deficits	-	(1,134,666)	-	(1,134,666)
Capital project fund deficits	-	-	(560,816)	(560,816)
Special revenue fund deficits	-	-	(20,705)	(20,705)
Total Unassigned	8,304,851	(1,134,666)	(581,521)	6,588,664
Total Fund Balance	\$ 20,046,452	\$ (873,815)	\$ 11,245,719	\$ 30,418,356

21. Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Fairhaven Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports, which are publicly available at the System's administrative offices at 40 Centre Street, Fairhaven, Massachusetts 02719.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their

date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2021 was \$3,388,344, which was equal to its required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the System, and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$14,609,000 for its proportionate share of the System's total net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2020, the Town's proportion was 96.38%.

For the year ended June 30, 2021, the Town recognized total pension expense of \$2,213,000. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,394,000	\$ 339,000
Changes of assumptions	1,547,000	-
Net difference between projected and actual earnings on pension plan investments	-	4,369,000
Changes in proportion and differences between contributions and proportionate share of contributions	<u>186,000</u>	<u>250,000</u>
Total	<u>\$ 3,127,000</u>	<u>\$ 4,958,000</u>

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

Year ended June 30:

2022	\$ (447,000)
2023	175,000
2024	(998,000)
2025	(560,000)
2026	<u>(1,000)</u>
Total	<u>\$ (1,831,000)</u>

Actuarial Assumptions

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

Valuation date	January 1, 2020
Actuarial cost methods	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.15%
Projected salary increases	4.25% for Group 1 and 2 and 4.75% for Fire and Police
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3 of first \$14,000

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).
- Post-Retirement Mortality: RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
- Disabled Mortality: RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender distinct).

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.20%	6.40%
Int'l Equities	11.80%	6.60%
Emerging Int'l Equities	5.00%	8.40%
Hedged Equity	1.00%	5.70%
Core Bonds	7.00%	2.70%
Short-Term Fixed Income	1.00%	2.90%
20+ Yr. Treasury STRIPS	3.00%	1.70%
TIPS	4.00%	2.10%
Value-Added Fixed Income	8.00%	6.20%
Private Equity	14.00%	10.20%
Real Estate	10.00%	6.00%
Timberland	4.00%	6.60%
Portfolio Completions (PCS)	10.00%	5.20%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions,

the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability and Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
\$24,825,000	\$14,609,000	\$ 5,949,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

22. Massachusetts Teachers' Retirement System (MTRS)

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer, defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT Fund). 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to 6.15%	Current Discount Rate 7.15%	1% Increase to 8.15%
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

Town Proportions

In fiscal year 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$52,272,220 based on a proportionate share of 0.183123%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$2,844,696 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$3,611,672 as both a revenue and expense in the governmental activities.

23. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a

trust fund has been established to fund future OPEB costs. In fiscal year 2012, the Government established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross/Blue Shield of Massachusetts. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget authorizations.

Plan Membership

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	392
Active employees	<u>390</u>
Total	<u>782</u>

Investments

The OPEB trust fund investments consist of corporate equities and mutual funds.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 26.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00% annually
Investment rate of return	6.26%, net of OPEB plan investment expense, including inflation.
Municipal bond rate	2.18% as of June 30, 2021
Discount rate	5.50%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	4.50% for 2021
Retirees' share of benefit-related costs	40% of medical premiums, 50% of dental premiums, and 45% of life insurance premiums
Participation rate	80% of employees eligible to receive retirement benefits for both medical and life insurance

Mortality rates were based on:

- Pre-Retirement Mortality: RP-2014 Mortality Table for Blue Collar employees projected generationally with scale MP-2016 for males and females
- Post-Retirement Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
- Disabled Mortality: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

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 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	19.75%	4.90%
Domestic Equity - Small/Mid Cap	17.25%	5.40%
International Equity - Developed Market	11.00%	5.32%
International Equity - Emerging Market	7.75%	6.26%
Domestic Fixed Income	29.75%	1.40%
International Fixed Income	5.50%	1.30%
Alternatives	8.75%	6.32%
Real estate	0.00%	6.25%
Cash & Cash Equivalents	<u>0.25%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 47,160,745
Plan fiduciary net position	<u>1,637,906</u>
Net OPEB liability	<u>\$ 45,522,839</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.47%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 39,003,896	\$ 1,030,726	\$ 37,973,170
Changes for the year:			
Service cost	766,984	-	766,984
Interest	2,621,518	-	2,621,518
Contributions - employer	-	2,198,148	(2,198,148)
Net investment income	-	307,180	(307,180)
Differences between expected and actual experience	(5,087,482)	-	(5,087,482)
Changes in assumptions or other inputs	11,753,977	-	11,753,977
Benefit payments	<u>(1,898,148)</u>	<u>(1,898,148)</u>	<u>-</u>
Net Changes	<u>8,156,849</u>	<u>607,180</u>	<u>7,549,669</u>
Balances, end of year	<u>\$ 47,160,745</u>	<u>\$ 1,637,906</u>	<u>\$ 45,522,839</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 6.75% in 2020 to 5.50% in 2021. Additionally, differences between expected and actual experience reflect a decrease in the number of retirees over the age of 65 who remain enrolled in Active plans.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
\$ 52,675,375	\$ 45,522,839	\$ 39,784,610

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$ 39,536,289	\$ 45,522,839	\$ 53,091,800

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$1,855,710. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 4,243,340
Change in assumptions	12,639,296	6,782,572
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>165,127</u>
Total	\$ <u>12,639,296</u>	\$ <u>11,191,039</u>

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

<u>Year Ended June 30:</u>	
2022	\$ (1,459,021)
2023	(119,818)
2024	1,324,342
2025	925,389
2026	<u>777,365</u>
Total	\$ <u>1,448,257</u>

24. Consolidation of Pension and OPEB Trust Funds

The Fairhaven Contributory Retirement System and the OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2020)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 303,368	\$ 4,724	\$ 308,092
Investments:			
Corporate equities	-	1,134,497	1,134,497
External investment pool	78,276,094	-	78,276,094
Mutual funds	-	498,685	498,685
Total investments	78,276,094	1,633,182	79,909,276
Receivables	148,361	-	148,361
Total Assets	<u>\$ 78,727,823</u>	<u>\$ 1,637,906</u>	<u>\$ 80,365,729</u>
Net Position			
Restricted for pension purposes	\$ 78,727,823	\$ -	\$ 78,727,823
Restricted for OPEB purposes	-	1,637,906	1,637,906
Total Net Position	<u>\$ 78,727,823</u>	<u>\$ 1,637,906</u>	<u>\$ 80,365,729</u>
	Pension Trust Fund (year ended December 31, 2020)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 3,515,610	\$ 2,198,148	\$ 5,713,758
Plan members	1,339,447	-	1,339,447
Other systems and Commonwealth of Massachusetts	121,260	-	121,260
Other	18,717	-	18,717
Total contributions	4,995,034	2,198,148	7,193,182
Investment Income:			
Investment income	-	66,931	66,931
Increase in fair value of investments	8,788,114	240,249	9,028,363
Less: management fees	(341,631)	-	(341,631)
Net investment income	8,446,483	307,180	8,753,663
Total additions	13,441,517	2,505,328	15,946,845
Deductions			
Benefit payments to plan members, beneficiaries, and other systems	5,260,409	1,898,148	7,158,557
Member refunds and transfers to other systems	176,576	-	176,576
Administrative expenses	113,983	-	113,983
Total deductions	5,550,968	1,898,148	7,449,116
Net increase	7,890,549	607,180	8,497,729
Net position restricted for pensions and OPEB purposes:			
Beginning of year	70,837,274	1,030,726	71,868,000
End of year	<u>\$ 78,727,823</u>	<u>\$ 1,637,906</u>	<u>\$ 80,365,729</u>

25. Self-Insurance

The Town self-insures against claims for employee health and dental coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$110,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2021 are as follows:

Claims liability, beginning of year	\$	300,714
Claims incurred/recognized in fiscal year 2021		7,495,815
Claims paid in fiscal year 2021		<u>(7,451,045)</u>
Claims liability, end of year	\$	<u>345,484</u>

26. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. No restatement of beginning net position/fund balance was required.

27. Beginning Fund Balance Reclassification

The beginning (July 1, 2020) fund balance of the Town was reclassified as follows:

Fund Basis Financial Statements:

	Nonmajor Governmental Funds	Town Grants Fund	Total
As previously reported	\$ 8,708,111	\$ -	\$ 8,708,111
Reclassification of major fund	<u>(122,646)</u>	<u>122,646</u>	<u>-</u>
As reclassified	<u>\$ 8,585,465</u>	<u>\$ 122,646</u>	<u>\$ 8,708,111</u>

28. Subsequent Events

Management has evaluated subsequent events through May 11, 2022 which is the date of the financial statements were available to be issued.

Debt

Subsequent to June 30, 2021, the Town incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Refunding Bond	\$ 5,225,000	1.03%	09/08/21	06/30/34

29. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on the Town's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Town's financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount 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.

Commitments

The Town built a sewer treatment plant several years ago that met the environmental pollutant discharge regulations at the time, however, pollutant discharge regulations have since changed. When the Town applied for a license renewal, the Environmental Protection Agency (EPA) and the Department of Environmental Protection (DEP) agreed to renew the license if improvements were made to reduce the amount of nitrogen discharged. The Town, EPA, and DEP have agreed upon a plan to reduce the amount nitrogen discharged

from the Plant. The plan will involve planning, design and capital improvements that commenced in FY2019 and will be completed by 2026 at an estimated total cost of \$25 million to be funded by future debt borrowings.

Encumbrances

At year-end, the Town's general fund has \$1,429,283 in encumbrances that will be honored in the next fiscal year.

30. Leases

The Town is the lessor in an agreement with Southeastern Massachusetts Educational Collaborative to lease the Tripp School building. The lease agreement is for a term of five years beginning November 1, 2016 and terminating on October 31, 2021. Following is the future minimum rental income to be received by the Town under the terms of this lease for the year ending June 30:

<u>Fiscal Year</u>	
2022	\$ <u>12,989</u>
Total	\$ <u><u>12,989</u></u>

31. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes	\$ 30,141,931	\$ 30,141,931	\$ 29,994,510	\$ (147,421)
Excises	1,930,000	1,930,000	1,917,268	(12,732)
Penalties, interest and other taxes	280,000	280,000	343,733	63,733
Charges for services	4,211,340	4,211,340	4,075,371	(135,969)
Licenses and permits	391,000	391,000	659,957	268,957
Intergovernmental	11,894,221	11,894,221	12,073,349	179,128
Fines and forfeitures	5,000	5,000	7,309	2,309
Investment income	80,000	80,000	55,397	(24,603)
Miscellaneous	90,000	90,000	619,130	529,130
Total Revenues	49,023,492	49,023,492	49,746,024	722,532
Expenditures				
General government	4,577,545	4,577,545	4,195,373	382,172
Public safety	8,827,205	8,827,205	8,659,236	167,969
Education	23,851,340	23,851,340	23,712,590	138,750
Public works	4,844,721	4,844,721	4,710,981	133,740
Human services	1,138,438	1,138,438	918,791	219,647
Culture and recreation	1,271,843	1,271,843	1,136,679	135,164
Employee benefits	9,255,727	9,255,727	8,976,360	279,367
Debt service	1,104,605	1,104,605	1,104,528	77
Intergovernmental	552,167	552,167	679,125	(126,958)
Total Expenditures	55,423,591	55,423,591	54,093,663	1,329,928
Excess (deficiency) of revenues over expenditures	(6,400,099)	(6,400,099)	(4,347,639)	2,052,460
Other Financing Sources (Uses)				
Transfers in	2,544,511	2,544,511	2,547,256	2,745
Transfers out	(1,450,000)	(1,450,000)	(1,450,000)	-
Use of free cash	2,863,640	2,863,640	2,863,640	-
Use of prior year assigned fund balance (carryforwards)	2,441,948	2,441,948	2,441,948	-
Total Other Financing Sources (Uses)	6,400,099	6,400,099	6,402,844	2,745
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,055,205	\$ 2,055,205

See Independent Auditors' Report.

**Notes to the Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Total</u>
GAAP Basis	\$ 52,249,367	\$ 52,170,663	\$ (91,292)	\$ (12,588)
Record use of prior year assigned fund balance	-	-	2,441,948	2,441,948
Add end-of-year appropriation carryforwards from expenditures	-	3,027,224	-	(3,027,224)
Record use of free cash	-	-	2,863,640	2,863,640
Reverse the effect of non-budgeted State contributions	(2,844,696)	(2,844,696)	-	-
Reclassification of indirect costs	49,420	1,246,974	1,197,554	-
Reclassification of sewer bond payments	-	6,848	6,848	-
Reclassification of budgeted transfers to stabilization funds	-	65,000	65,000	-
Reclassification of wind turbine expenditures	633,045	633,045	-	-
Reverse effect of combining stabilization funds with general fund per GASB 54	(341,112)	-	(65,000)	(406,112)
Reclassification of prepaid tuition	-	(150,244)	-	150,244
Other	-	(61,151)	(15,854)	45,297
Budgetary Basis	<u>\$ 49,746,024</u>	<u>\$ 54,093,663</u>	<u>\$ 6,402,844</u>	<u>\$ 2,055,205</u>

See Independent Auditors' Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Fairhaven Contributory Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability	
June 30, 2021	December 31, 2020	96.38%	\$14,609,000	\$12,561,205	116.30%	83.90%
June 30, 2020	December 31, 2019	96.41%	\$19,020,000	\$12,565,115	151.37%	78.20%
June 30, 2019	December 31, 2018	96.49%	\$21,457,000	\$11,357,838	188.92%	73.50%
June 30, 2018	December 31, 2017	96.96%	\$16,953,000	\$11,413,162	148.54%	78.40%
June 30, 2017	December 31, 2016	96.71%	\$21,500,000	\$10,759,955	199.81%	71.00%
June 30, 2016	December 31, 2015	96.56%	\$18,463,000	\$10,200,598	181.00%	72.70%
June 30, 2015	December 31, 2014	96.46%	\$16,607,000	\$10,190,034	162.97%	75.49%

Massachusetts Teachers' Retirement System									
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability		
June 30, 2021	June 30, 2020	0.183123%	\$ -	\$ 52,272,220	\$52,272,220	\$13,872,578	-	50.67%	
June 30, 2020	June 30, 2019	0.184795%	\$ -	\$ 46,594,344	\$46,594,344	\$13,475,265	-	53.95%	
June 30, 2019	June 30, 2018	0.182095%	\$ -	\$ 43,176,990	\$43,176,990	\$12,808,086	-	54.84%	
June 30, 2018	June 30, 2017	0.179119%	\$ -	\$ 40,992,054	\$40,992,054	\$12,197,384	-	54.25%	
June 30, 2017	June 30, 2016	0.176155%	\$ -	\$ 39,384,609	\$39,384,609	\$11,619,221	-	52.73%	
June 30, 2016	June 30, 2015	0.180847%	\$ -	\$ 37,054,975	\$37,054,975	\$11,486,110	-	55.38%	
June 30, 2015	June 30, 2014	0.184015%	\$ -	\$ 29,251,667	\$29,251,667	\$10,910,853	-	61.64%	

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Fairhaven Contributory Retirement System						
Fiscal Year	Measurement Date	Contributions in Relation to the			Contributions as a Percentage of Covered Payroll	
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2021	December 31, 2020	\$ 3,388,344	\$ 3,388,344	\$ -	27.73%	
June 30, 2020	December 31, 2019	\$ 3,227,999	\$ 3,227,999	\$ -	26.49%	
June 30, 2019	December 31, 2018	\$ 3,079,385	\$ 3,079,385	\$ -	26.72%	
June 30, 2018	December 31, 2017	\$ 2,946,801	\$ 2,946,801	\$ -	27.82%	
June 30, 2017	December 31, 2016	\$ 2,799,586	\$ 2,859,586	\$ (60,000)	28.43%	
June 30, 2016	December 31, 2015	\$ 2,662,396	\$ 2,679,322	\$ (16,926)	28.97%	
June 30, 2015	December 31, 2014	\$ 2,533,204	\$ 2,533,204	\$ -	26.61%	

Massachusetts Teachers' Retirement System						
Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency {Excess}	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Commonwealth				
June 30, 2021	June 30, 2020	\$ 2,844,696	\$ 2,844,696	\$ -	\$ 13,922,442	20.43%
June 30, 2020	June 30, 2019	\$ 2,667,909	\$ 2,667,909	\$ -	\$ 13,872,578	19.23%
June 30, 2019	June 30, 2018	\$ 2,394,150	\$ 2,394,150	\$ -	\$ 13,475,265	17.77%
June 30, 2018	June 30, 2017	\$ 2,213,041	\$ 2,213,041	\$ -	\$ 12,808,086	17.28%
June 30, 2017	June 30, 2016	\$ 1,981,009	\$ 1,981,009	\$ -	\$ 12,197,384	16.24%
June 30, 2016	June 30, 2015	\$ 1,848,133	\$ 1,848,133	\$ -	\$ 11,619,221	15.91%
June 30, 2015	June 30, 2014	\$ 1,724,918	\$ 1,724,918	\$ -	\$ 11,486,110	15.02%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 766,984	\$ 732,744	\$ 780,352	\$ 724,378	\$ 1,596,309
Interest	2,621,518	2,481,174	2,250,986	3,380,596	1,763,894
Differences between expected and actual experience	(5,087,482)	-	(120,091)	-	-
Changes of assumptions	11,753,977	(2,222,956)	6,502,221	(18,782,732)	-
Benefit payments, including refunds of member contributions	(1,898,148)	(1,877,756)	(1,768,831)	(1,270,582)	(1,202,254)
Net change in total OPEB liability	8,156,849	(886,794)	7,644,637	(15,948,340)	2,157,949
Total OPEB liability - beginning	39,003,896	39,890,690	32,246,053	48,194,393	46,036,444
Total OPEB liability - ending (a)	47,160,745	39,003,896	39,890,690	32,246,053	48,194,393
Plan Fiduciary Net Position					
Contributions - employer	2,198,148	2,127,756	1,968,831	1,420,582	1,302,254
Net investment income	307,180	29,286	37,589	16,779	24,778
Benefit payments, including refunds of member contributions	(1,898,148)	(1,877,756)	(1,768,831)	(1,270,582)	(1,202,254)
Net change in plan fiduciary net position	607,180	279,286	237,589	166,779	124,778
Plan fiduciary net position - beginning	1,030,726	751,440	513,851	347,072	222,294
Plan fiduciary net position - ending (b)	1,637,906	1,030,726	751,440	513,851	347,072
Net OPEB liability - ending (a-b)	\$ 45,522,839	\$ 37,973,170	\$ 39,139,250	\$ 31,732,202	\$ 47,847,321

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability					
Total OPEB liability	\$ 47,160,745	\$ 39,003,896	\$ 39,890,690	\$ 32,246,053	\$ 48,194,393
Plan fiduciary net position	<u>1,637,906</u>	<u>1,030,726</u>	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>
Net OPEB liability	<u>\$ 45,522,839</u>	<u>\$ 37,973,170</u>	<u>\$ 39,139,250</u>	<u>\$ 31,732,202</u>	<u>\$ 47,847,321</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.47%	2.64%	1.88%	1.59%	0.72%
Covered employee payroll	\$ 30,129,805	\$ 28,110,619	\$ 27,291,862	\$ 27,807,179	\$ 26,997,261
Net OPEB liability as a percentage of covered employee payroll	151.09%	135.08%	143.41%	114.12%	177.23%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions					
Actuarially determined contribution	\$ 2,869,856	\$ 3,527,717	\$ 3,528,492	\$ 4,327,970	\$ 4,143,844
Contributions in relation to the actuarially determined contribution	<u>2,198,148</u>	<u>2,127,756</u>	<u>1,968,831</u>	<u>1,420,582</u>	<u>1,302,254</u>
Contribution deficiency (excess)	<u>\$ 671,708</u>	<u>\$ 1,399,961</u>	<u>\$ 1,559,661</u>	<u>\$ 2,907,388</u>	<u>\$ 2,841,590</u>
Covered employee payroll	\$ 30,129,805	\$ 28,110,619	\$ 27,291,862	\$ 27,807,179	\$ 26,997,261
Contributions as a percentage of covered employee payroll	7.30%	7.57%	7.21%	5.11%	4.82%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns					
Annual money weighted rate of return, net of investment expense	26.21%	3.19%	5.82%	3.98%	9.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.



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

INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Fairhaven, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts (the Town), as of and for the year ended June 30, 2021 (and the Fairhaven Contributory Retirement System (the System) as of December 31, 2020), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Andover, Massachusetts
May 11, 2022



TOWN OF FAIRHAVEN, MASSACHUSETTS

Management Letter
For the Year Ended June 30, 2021

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To the Select Board
Town of Fairhaven, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Fairhaven, Massachusetts (the Town) as of and for the year ended June 30, 2021 (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2020), 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, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

During our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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The Town's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the governing body, and others within the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

Andover, Massachusetts
May 11, 2022

RECOMMENDATIONS:

1. Expand Chart of Accounts

The Town currently records the activity associated with multiple opinion units within fund 084 in the general ledger. As a result, numerous reclassifying adjustments are required to properly present activity in the respective fund financial statements in accordance with Generally Accepted Accounting Principles.

The following accounts should be recorded as separate funds in the general fund:

- Internal service fund (proprietary funds)
- Stabilization fund (governmental funds)
- Sewer stabilization fund (proprietary funds)
- Various special revenue funds (governmental funds)

Additionally, the expendable portion of trust funds is reported in fund 082 and the nonexpendable portion is reported in fund 081 in the general ledger. As a result, numerous reclassifying adjustment are required to properly present activity in permanent trust fund (governmental funds) and private purpose trust fund (fiduciary funds) financial statements. These accounts should be classified in the general ledger based on the type of each trust fund, instead of expendable versus nonexpendable portions.

We recommend the Town expand the general ledger chart of accounts to eliminate the need for these reclassifying adjustments. Implementation of these recommendations will result in the proper presentation of the above noted funds.

2. Prepare for GASB Statement 87

GASB Statement 87 will apply to the Town in fiscal year 2022. Statement 87 addressed leases and significantly changes the accounting standards for leases and will require various leases to be reported on the Town's balance sheet.

We recommend the Finance Department prepare for these accounting changes by ensuring all other Departments are aware of the pending changes. The Finance Department should also consider establishing a lease accounting policy to ensure all material leases are properly identified.

