



TOWN OF FAIRHAVEN, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Select Board
Town of Fairhaven, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts (the Town), as of and for the year ended June 30, 2022, (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2021) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022 (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2021), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 29 to the financial statements, in the year ending June 30, 2022, the Town implemented GASB 87 reporting for leases. Our opinion is not modified with respect to this matter.

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

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other information 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 March 29, 2023 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
March 29, 2023

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 financial activities of the Town for the fiscal year ended June 30, 2022.

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 are comprised of 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 and 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, culture and recreation, interest on long-term debt, and intergovernmental. 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. The Town's 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 the Town'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. Reconciliations are provided 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 Town. 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 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 \$65,205,866, a change of \$1,572,735, and net position in business-type activities was \$31,842,266, a change of \$167,175.
- At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$33,058,461, a change of \$2,640,105 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,374,852, a change of \$2,070,001 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	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and other assets	\$ 46,618	\$ 42,532	\$ 11,456	\$ 12,325	\$ 58,074	\$ 54,857
Capital assets	<u>90,135</u>	<u>92,330</u>	<u>36,255</u>	<u>34,705</u>	<u>126,390</u>	<u>127,035</u>
Total Assets	136,753	134,862	47,711	47,030	184,464	181,892
Deferred Outflows of Resources	14,270	14,860	968	906	15,238	15,766
Liabilities						
Other liabilities	6,311	4,931	3,967	2,529	10,278	7,460
Long-term liabilities	<u>61,858</u>	<u>66,204</u>	<u>11,275</u>	<u>12,537</u>	<u>73,133</u>	<u>78,741</u>
Total Liabilities	68,169	71,135	15,242	15,066	83,411	86,201
Deferred Inflows of Resources	17,648	14,954	1,595	1,195	19,243	16,149
Net Position						
Net investment in capital assets	82,190	83,885	25,460	25,462	107,650	109,347
Restricted	12,040	10,444	-	-	12,040	10,444
Unrestricted	<u>(29,024)</u>	<u>(30,696)</u>	<u>6,382</u>	<u>6,213</u>	<u>(22,642)</u>	<u>(24,483)</u>
Total Net Position	\$ <u>65,206</u>	\$ <u>63,633</u>	\$ <u>31,842</u>	\$ <u>31,675</u>	\$ <u>97,048</u>	\$ <u>95,308</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 \$97,408,132, a change of \$1,739,910 in comparison to the prior year.

The largest portion of net position \$107,650,372 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 \$12,039,820 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 \$(22,642,060), primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION
(in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,934	\$ 5,507	\$ 7,493	\$ 6,265	\$ 13,427	\$ 11,772
Operating grants and contributions	18,426	19,129	-	373	18,426	19,502
Capital grants and contributions	1,912	2,012	37	31	1,949	2,043
General revenues:						
Property taxes	31,735	30,793	-	-	31,735	30,793
Excises	2,255	2,189	-	-	2,255	2,189
Penalties, interest, and other taxes	325	346	-	-	325	346
Grants and contributions not restricted to specific programs	3,722	3,298	-	-	3,722	3,298
Investment income (loss)	(658)	1,453	(15)	44	(673)	1,497
Miscellaneous	<u>2,670</u>	<u>621</u>	<u>9</u>	<u>8</u>	<u>2,679</u>	<u>629</u>
Total Revenues	66,321	65,348	7,524	6,721	73,845	72,069
Expenses						
General government	2,469	5,937	-	-	2,469	5,937
Public safety	13,169	11,545	-	-	13,169	11,545
Education	37,014	36,594	-	-	37,014	36,594
Public works	8,552	6,278	-	-	8,552	6,278
Human services	1,267	1,197	-	-	1,267	1,197
Culture and recreation	1,440	1,444	-	-	1,440	1,444
Interest on long-term debt	161	306	-	-	161	306
Intergovernmental	676	679	-	-	676	679
Sewer services	-	-	4,245	4,203	4,245	4,203
Water services	<u>-</u>	<u>-</u>	<u>3,112</u>	<u>3,151</u>	<u>3,112</u>	<u>3,151</u>
Total Expenses	<u>64,748</u>	<u>63,980</u>	<u>7,357</u>	<u>7,354</u>	<u>72,105</u>	<u>71,334</u>
Change in Net Position Before Transfers	1,573	1,368	167	(633)	1,740	735
Transfers In (Out)	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,573	1,361	167	(626)	1,740	735
Net Position - Beginning 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>
Net Position - End of Year	<u>\$ 65,206</u>	<u>\$ 63,633</u>	<u>\$ 31,842</u>	<u>\$ 31,675</u>	<u>\$ 97,048</u>	<u>\$ 95,308</u>

Fiscal year 2021 amounts were not restated because the application of Governmental Accounting Standards Board No. 87, *Leases*, to prior amounts was not practical.

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,572,735. Key elements of this change are as follows:

General Fund operations	\$ 1,916,649
Town Grants Fund operations	1,075,142
Depreciation expense in excess of principal debt service	(3,540,189)
Decrease in net pension expense from GASB 68	2,652,000
Other	<u>(530,867)</u>
Total	<u>\$ 1,572,735</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$167,175. Key elements of this change are as follows:

Sewer Fund:	
Budgetary results of operations	\$ 317,227
Depreciation expense in excess of principal debt service	(716,130)
Other	<u>468,153</u>
Subtotal	69,250
Water Fund:	
Budgetary results of operations	612,290
Depreciation expense in excess of principal debt service	(142,196)
Other	<u>(372,169)</u>
Subtotal	<u>97,925</u>
Total	<u>\$ 167,175</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 the Town'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 \$10,374,852, while total fund balance was \$21,963,101. Unassigned fund balance increased by \$2,070,001, primarily from favorable budgetary results of

\$4,730,501, less “Free Cash” of \$2,472,020 appropriated primarily for fiscal year 2023 capital items. 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, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% of General Fund Expenditures</u> ⁽²⁾
Unassigned fund balance ⁽¹⁾	\$ 10,374,852	\$ 8,304,851	\$ 2,070,001	19.7%
Total fund balance	\$ 21,963,101	\$ 20,046,452	\$ 1,916,649	41.7%

⁽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 of Massachusetts to the Massachusetts Teacher Retirement System of \$3,149,422.

The total fund balance of the General Fund changed by \$1,916,649 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 2,945,678
Expenditures less than budget	1,782,397
Use of free cash	(1,499,078)
Change in prepaid tuition	(526,768)
Change in carryforwards	(803,205)
Other	17,625
Total	<u>\$ 1,916,649</u>

Included in the total fund balance of the General Fund are the Town’s stabilization accounts with the following balances:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
General stabilization (unassigned)	\$ 3,203,844	\$ 3,251,586	\$ (47,742)
Ambulance stabilization (committed)	311,255	249,264	61,991
Capital stabilization (committed)	5,860,713	5,948,047	(87,334)
Special education reserve stabilization (committed)	439,000	445,542	(6,542)
Total	<u>\$ 9,814,812</u>	<u>\$ 9,894,439</u>	<u>\$ (79,627)</u>

Town Grants Major Governmental Fund

The fund balance of the Town Grants major governmental fund changed by \$1,075,142, primarily from timing differences between the receipt and disbursement of grants.

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(351,686), primarily from timing differences between the receipt and disbursement of school 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 \$6,381,988, a change of \$168,991 in comparison to the prior year, primarily from positive budgetary results.

Unrestricted net position of the internal service fund at the end of the year amounted to \$2,184,472, a change of \$184,319 in comparison to the prior year, primarily from positive budgetary results.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$184,464, primarily funded by use of free cash.

The Town experienced favorable operating results for revenues. The largest budgetary surplus was miscellaneous revenues of \$1,860,196. This was primarily due to the sale of various foreclosed properties through an auction held by the Town. Additionally, there was a large budgetary surplus of \$578,570 for excises, due to the Town's conservative budgeting approach for motor vehicle excise taxes. Furthermore, there was also a large budgetary surplus of \$439,984 for property taxes, due to the Town having additional growth during fiscal year 2022.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$126,390,078 (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 the High School athletic fields and water meter reading system, as well as 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 \$14,971,709, all of which was backed by the full faith and credit of the Town.

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:

Town Accountant
Town of Fairhaven
40 Center Street
Fairhaven, Massachusetts 02719

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 26,876,038	\$ 8,868,034	\$ 35,744,072
Investments	13,189,040	1,381,104	14,570,144
Receivables, net of allowance for uncollectibles:			
Property taxes	515,790	-	515,790
Excises	229,928	-	229,928
User fees	18,011	571,497	589,508
Departmental and other	330,958	-	330,958
Special assessments	-	140,817	140,817
Intergovernmental	315	-	315
Leases	112,000	-	112,000
Notes receivable	539,387	-	539,387
Deposits held by others	1,066,100	-	1,066,100
Prepaid items	<u>209,568</u>	<u>-</u>	<u>209,568</u>
Total Current Assets	43,087,135	10,961,452	54,048,587
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	748,464	-	748,464
User fees	-	148,727	148,727
Special assessments	3,294	346,084	349,378
Leases	2,134,000	-	2,134,000
Other assets	645,616	-	645,616
Capital assets:			
Nondepreciable capital assets	23,555,863	5,173,234	28,729,097
Other capital assets, net of accumulated depreciation	<u>66,578,812</u>	<u>31,082,169</u>	<u>97,660,981</u>
Total Noncurrent Assets	<u>93,666,049</u>	<u>36,750,214</u>	<u>130,416,263</u>
Total Assets	136,753,184	47,711,666	184,464,850
Deferred Outflows of Resources			
Related to pension	4,007,000	503,000	4,510,000
Related to OPEB	<u>10,263,239</u>	<u>465,472</u>	<u>10,728,711</u>
Total Deferred Outflows of Resources	14,270,239	968,472	15,238,711

(continued)

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Statement of Net Position
June 30, 2022

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	\$ 2,745,895	\$ 34,277	\$ 2,780,172
Accrued liabilities	1,405,027	76,853	1,481,880
Tax refunds payable	212,760	-	212,760
Notes payable	1,093,175	3,832,179	4,925,354
Unearned revenues	841,431	-	841,431
Other current liabilities	12,599	23,562	36,161
Current portion of long-term liabilities:			
Bonds and loans payable	767,479	561,344	1,328,823
Compensated absences liability	149,938	26,127	176,065
Landfill liability	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Current Liabilities	7,253,304	4,554,342	11,807,646
Noncurrent:			
Bonds and loans payable, net of current portion	6,121,000	7,521,886	13,642,886
Compensated absences liability, net of current portion	1,349,445	235,143	1,584,588
Landfill liability, net of current portion	175,000	-	175,000
Net pension liability	6,458,000	808,000	7,266,000
Net OPEB liability	<u>46,812,440</u>	<u>2,123,099</u>	<u>48,935,539</u>
Total Noncurrent Liabilities	<u>60,915,885</u>	<u>10,688,128</u>	<u>71,604,013</u>
Total Liabilities	68,169,189	15,242,470	83,411,659
Deferred Inflows of Resources			
Related to pension	9,330,000	1,320,000	10,650,000
Related to OPEB	6,072,368	275,402	6,347,770
Related to leases	<u>2,246,000</u>	<u>-</u>	<u>2,246,000</u>
Total Deferred Inflows of Resources	17,648,368	1,595,402	19,243,770
Net Position			
Net investment in capital assets	82,190,094	25,460,278	107,650,372
Restricted for:			
Grants and other statutory restrictions	8,761,018	-	8,761,018
Endowment funds:			
Nonexpendable	2,714,687	-	2,714,687
Expendable	564,115	-	564,115
Unrestricted	<u>(29,024,048)</u>	<u>6,381,988</u>	<u>(22,642,060)</u>
Total Net Position	<u>\$ 65,205,866</u>	<u>\$ 31,842,266</u>	<u>\$ 97,048,132</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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 2,469,064	\$ 790,246	\$ 1,459,085	\$ 36,340	\$ (183,393)	\$ -	\$ (183,393)
Public safety	13,169,334	2,001,324	755,195	87,448	(10,325,367)	-	(10,325,367)
Education	37,013,901	2,865,541	15,637,653	-	(18,510,707)	-	(18,510,707)
Public works	8,551,799	121,085	4,805	1,767,922	(6,657,987)	-	(6,657,987)
Human services	1,266,669	-	559,465	20,000	(687,204)	-	(687,204)
Culture and recreation	1,439,866	155,524	10,100	-	(1,274,242)	-	(1,274,242)
Interest on long-term debt	161,377	-	-	-	(161,377)	-	(161,377)
Intergovernmental	676,298	-	-	-	(676,298)	-	(676,298)
Total Governmental Activities	64,748,308	5,933,720	18,426,303	1,911,710	(38,476,575)	-	(38,476,575)
Business-Type Activities							
Sewer services	4,244,683	4,284,042	-	36,784	-	76,143	76,143
Water services	3,111,893	3,209,311	-	-	-	97,418	97,418
Total Business-Type Activities	7,356,576	7,493,353	-	36,784	-	173,561	173,561
Total	\$ <u>72,104,884</u>	\$ <u>13,427,073</u>	\$ <u>18,426,303</u>	\$ <u>1,948,494</u>	(38,476,575)	173,561	(38,303,014)
General Revenues and Contributions							
Property taxes					31,735,269	-	31,735,269
Excises					2,254,655	-	2,254,655
Penalties, interest, and other taxes					325,346	-	325,346
Grants and contributions not restricted to specific programs					3,721,529	-	3,721,529
Investment (loss)					(657,615)	(14,858)	(672,473)
Miscellaneous					2,670,126	8,472	2,678,598
Total General Revenues and Contributions					<u>40,049,310</u>	<u>(6,386)</u>	<u>40,042,924</u>
Change in Net Position					1,572,735	167,175	1,739,910
Net Position							
Beginning of Year					<u>63,633,131</u>	<u>31,675,091</u>	<u>95,308,222</u>
End of Year					\$ <u>65,205,866</u>	\$ <u>31,842,266</u>	\$ <u>97,048,132</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 14,883,836	\$ 1,101,028	\$ 8,917,978	\$ 24,902,842
Investments	9,559,689	-	3,629,351	13,189,040
Receivables:				
Property taxes	1,399,100	-	12,484	1,411,584
Excises	382,251	-	-	382,251
User fees	-	-	24,717	24,717
Departmental and other	3,625	-	327,333	330,958
Special assessments	-	-	3,294	3,294
Intergovernmental	315	-	-	315
Leases	2,246,000	-	-	2,246,000
Notes receivable	-	539,387	-	539,387
Prepaid items	209,568	-	-	209,568
Total Assets	<u>\$ 28,684,384</u>	<u>\$ 1,640,415</u>	<u>\$ 12,915,157</u>	<u>\$ 43,239,956</u>
Liabilities				
Accounts payable	\$ 1,630,305	\$ 50,665	\$ 549,844	\$ 2,230,814
Accrued liabilities	1,047,403	7,605	10,276	1,065,284
Notes payable	-	-	1,093,175	1,093,175
Unearned revenues	-	841,431	-	841,431
Other liabilities	12,599	-	-	12,599
Total Liabilities	2,690,307	899,701	1,653,295	5,243,303
Deferred Inflows of Resources				
Unavailable revenues	1,784,976	539,387	367,829	2,692,192
Related to leases	2,246,000	-	-	2,246,000
Total Deferred Inflows of Resources	4,030,976	539,387	367,829	4,938,192
Fund Balances				
Nonspendable	209,568	-	2,714,687	2,924,255
Restricted	-	773,582	9,353,974	10,127,556
Committed	10,024,214	-	-	10,024,214
Assigned	1,354,467	-	-	1,354,467
Unassigned	10,374,852	(572,255)	(1,174,628)	8,627,969
Total Fund Balances	<u>21,963,101</u>	<u>201,327</u>	<u>10,894,033</u>	<u>33,058,461</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,684,384</u>	<u>\$ 1,640,415</u>	<u>\$ 12,915,157</u>	<u>\$ 43,239,956</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, 2022

Total Governmental Fund Balances	\$ 33,058,461
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. 	90,134,675
<ul style="list-style-type: none"> • Deferred outflows of resources related to pension to be recognized in pension expense in future periods. 	4,007,000
<ul style="list-style-type: none"> • Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods. 	10,263,239
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	3,031,447
<ul style="list-style-type: none"> • 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. 	2,184,472
<ul style="list-style-type: none"> • Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds: <ul style="list-style-type: none"> Bonds and loans payable Compensated absences liability Landfill liability Net pension liability Net OPEB liability 	(6,888,479)
	(1,499,383)
	(200,000)
	(6,458,000)
	(46,812,440)
<ul style="list-style-type: none"> • Deferred inflows of resources related to pension to be recognized in pension expense in future periods. 	(9,330,000)
<ul style="list-style-type: none"> • Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods. 	(6,072,368)
<ul style="list-style-type: none"> • Other reconciling items. 	<u>(212,758)</u>
Net Position of Governmental Activities	<u>\$ 65,205,866</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, 2022

	General <u>Fund</u>	Town Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 31,619,949	\$ -	\$ 465,131	\$ 32,085,080
Excises	2,528,570	-	-	2,528,570
Penalties, interest, and other taxes	310,149	-	1,913	312,062
Charges for services	3,334,516	-	1,998,270	5,332,786
Licenses and permits	689,295	-	-	689,295
Intergovernmental	15,418,459	2,123,965	5,002,754	22,545,178
Fines and forfeitures	5,073	-	-	5,073
Investment income (loss)	(105,384)	7	(554,644)	(660,021)
Contributions	-	-	1,153,208	1,153,208
Miscellaneous	<u>2,655,086</u>	<u>-</u>	<u>43,867</u>	<u>2,698,953</u>
Total Revenues	56,455,713	2,123,972	8,110,499	66,690,184
Expenditures				
Current:				
General government	2,859,334	343,797	312,904	3,516,035
Public safety	8,725,493	540,150	572,025	9,837,668
Education	28,344,252	-	5,036,477	33,380,729
Public works	4,118,884	19,683	860,641	4,999,208
Human services	925,178	132,009	23,608	1,080,795
Culture and recreation	1,132,827	10,800	31,805	1,175,432
Employee benefits	8,136,586	-	55,545	8,192,131
Debt service:				
Principal	787,000	-	-	787,000
Interest	161,377	-	-	161,377
Intergovernmental	676,298	-	-	676,298
Capital outlay	<u>-</u>	<u>-</u>	<u>243,406</u>	<u>243,406</u>
Total Expenditures	<u>55,867,229</u>	<u>1,046,439</u>	<u>7,136,411</u>	<u>64,050,079</u>
Excess of Revenues over Expenditures	588,484	1,077,533	974,088	2,640,105
Other Financing Sources (Uses)				
Issuance of refunding bonds	5,210,479	-	-	5,210,479
Bond premium on refunding bonds	209,521	-	-	209,521
Payment to refunding agent	(5,420,000)	-	-	(5,420,000)
Transfers in	1,386,656	-	58,491	1,445,147
Transfers out	<u>(58,491)</u>	<u>(2,391)</u>	<u>(1,384,265)</u>	<u>(1,445,147)</u>
Total Other Financing Sources (Uses)	<u>1,328,165</u>	<u>(2,391)</u>	<u>(1,325,774)</u>	<u>-</u>
Change in Fund Balance	1,916,649	1,075,142	(351,686)	2,640,105
Fund Balances, at Beginning of Year	<u>20,046,452</u>	<u>(873,815)</u>	<u>11,245,719</u>	<u>30,418,356</u>
Fund Balances, at End of Year	<u>\$ 21,963,101</u>	<u>\$ 201,327</u>	<u>\$ 10,894,033</u>	<u>\$ 33,058,461</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, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,640,105																		
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">2,041,428</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,237,189)</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Issuance of refunding bonds</td> <td style="text-align: right;">(5,210,479)</td> </tr> <tr> <td>Repayments of general obligation bonds</td> <td style="text-align: right;">6,207,000</td> </tr> </table> • 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 certain 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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(2,256,971)</td> </tr> </table> • 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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">184,319</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Change in net pension liability and related deferred outflows and inflows</td> <td style="text-align: right;">2,652,000</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td style="text-align: right;">(410,699)</td> </tr> </table> • Other differences. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">(36,779)</td> </tr> </table> 		Capital outlay	2,041,428	Depreciation	(4,237,189)	Issuance of refunding bonds	(5,210,479)	Repayments of general obligation bonds	6,207,000		(2,256,971)		184,319	Change in net pension liability and related deferred outflows and inflows	2,652,000	Change in net OPEB liability and related deferred outflows and inflows	(410,699)		(36,779)
Capital outlay	2,041,428																		
Depreciation	(4,237,189)																		
Issuance of refunding bonds	(5,210,479)																		
Repayments of general obligation bonds	6,207,000																		
	(2,256,971)																		
	184,319																		
Change in net pension liability and related deferred outflows and inflows	2,652,000																		
Change in net OPEB liability and related deferred outflows and inflows	(410,699)																		
	(36,779)																		
Change in Net Position of Governmental Activities	\$ <u><u>1,572,735</u></u>																		

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Assets				
Current:				
Cash and short-term investments	\$ 5,883,586	\$ 2,984,448	\$ 8,868,034	\$ 1,973,196
Investments	1,381,104	-	1,381,104	-
Deposits held by others	-	-	-	1,066,100
Receivables, net of allowance for uncollectibles:				
User fees	370,209	201,288	571,497	-
Special assessments	140,817	-	140,817	-
Total Current Assets	7,775,716	3,185,736	10,961,452	3,039,296
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
User fees	94,558	54,169	148,727	-
Special assessments	346,084	-	346,084	-
Capital assets:				
Nondepreciable capital assets	2,691,241	2,481,993	5,173,234	-
Other capital assets, net of accumulated depreciation	27,742,159	3,340,010	31,082,169	-
Total Noncurrent Assets	30,874,042	5,876,172	36,750,214	-
Total Assets	38,649,758	9,061,908	47,711,666	3,039,296
Deferred Outflows of Resources				
Related to pension	316,000	187,000	503,000	-
Related to OPEB	324,905	140,567	465,472	-
Total Deferred Outflows of Resources	640,905	327,567	968,472	-
Liabilities				
Current:				
Accounts payable	21,069	13,208	34,277	515,081
Accrued liabilities	41,571	35,282	76,853	339,743
Notes payable	1,832,179	2,000,000	3,832,179	-
Other current liabilities	22,862	700	23,562	-
Current portion of long-term liabilities:				
Bonds and loans payable	512,072	49,272	561,344	-
Compensated absences liability	15,711	10,416	26,127	-
Total Current Liabilities	2,445,464	2,108,878	4,554,342	854,824
Noncurrent:				
Bonds and loans payable, net of current portion	7,040,995	480,891	7,521,886	-
Compensated absences liability, net of current portion	141,396	93,747	235,143	-
Net pension liability	527,000	281,000	808,000	-
Net OPEB liability	1,481,950	641,149	2,123,099	-
Total Noncurrent Liabilities	9,191,341	1,496,787	10,688,128	-
Total Liabilities	11,636,805	3,605,665	15,242,470	854,824
Deferred Inflows of Resources				
Related to pension	815,000	505,000	1,320,000	-
Related to OPEB	192,234	83,168	275,402	-
Total Deferred Inflows of Resources	1,007,234	588,168	1,595,402	-
Net Position				
Net investment in capital assets	21,782,137	3,678,141	25,460,278	-
Unrestricted	4,864,487	1,517,501	6,381,988	2,184,472
Total Net Position	\$ 26,646,624	\$ 5,195,642	\$ 31,842,266	\$ 2,184,472

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 4,284,042	\$ 3,204,040	\$ 7,488,082	\$ -
Employee and employer contributions	-	-	-	7,479,322
Other	-	5,271	5,271	-
Total Operating Revenues	4,284,042	3,209,311	7,493,353	7,479,322
Operating Expenses				
Personnel services	1,577,491	1,036,326	2,613,817	7,297,408
Other operating expenses	1,160,078	496,816	1,656,894	-
Depreciation	1,230,084	206,208	1,436,292	-
Intergovernmental assessments	-	1,353,746	1,353,746	-
Total Operating Expenses	3,967,653	3,093,096	7,060,749	7,297,408
Operating Income	316,389	116,215	432,604	181,914
Non-operating Revenues (Expenses)				
Investment income (loss)	(15,365)	507	(14,858)	2,405
Miscellaneous revenue	8,472	-	8,472	-
Interest expense	(277,030)	(18,797)	(295,827)	-
Total Non-operating Revenues (Expenses), Net	(283,923)	(18,290)	(302,213)	2,405
Income Before Capital Contributions	32,466	97,925	130,391	184,319
Capital Contributions	36,784	-	36,784	-
Change in Net Position	69,250	97,925	167,175	184,319
Net Position, at Beginning of Year	26,577,374	5,097,717	31,675,091	2,000,153
Net Position, at End of Year	\$ 26,646,624	\$ 5,195,642	\$ 31,842,266	\$ 2,184,472

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, 2022

	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	\$ 4,142,511	\$ 3,213,153	\$ 7,355,664	\$ 7,479,322
Payments to employees	(1,848,260)	(1,122,965)	(2,971,225)	-
Payments to vendors	<u>(1,586,574)</u>	<u>(1,912,288)</u>	<u>(3,498,862)</u>	<u>(7,165,197)</u>
Net Cash Provided By Operating Activities	707,677	177,900	885,577	314,125
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(1,365,342)	(1,621,654)	(2,986,996)	-
Proceeds of bonds	-	14,521	14,521	-
Refunding of bonds	-	(15,000)	(15,000)	-
Proceeds of notes	957,179	1,000,000	1,957,179	-
Principal payments on bonds	(463,000)	(15,000)	(478,000)	-
Principal payments on loans	(50,953)	(34,012)	(84,965)	-
Payments on notes	(25,000)	-	(25,000)	-
Interest expense	(277,030)	(14,023)	(291,053)	-
Capital contributions	197,067	-	197,067	-
Other	<u>8,472</u>	<u>-</u>	<u>8,472</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,018,607)	(685,168)	(1,703,775)	-
Cash Flows From Investing Activities				
Investments	(173,404)	-	(173,404)	-
Investment income (loss)	<u>(15,365)</u>	<u>507</u>	<u>(14,858)</u>	<u>2,405</u>
Net Cash Provided By (Used For) Investing Activities	(188,769)	507	(188,262)	2,405
Net Change in Cash and Short-Term Investments	(499,699)	(506,761)	(1,006,460)	316,530
Cash and Short-Term Investments, Beginning of Year	<u>6,383,285</u>	<u>3,491,209</u>	<u>9,874,494</u>	<u>1,656,666</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,883,586</u>	<u>\$ 2,984,448</u>	<u>\$ 8,868,034</u>	<u>\$ 1,973,196</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities				
Operating income	\$ 316,389	\$ 116,215	\$ 432,604	\$ 181,914
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,230,084	206,208	1,436,292	-
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	(127,962)	3,141	(124,821)	-
Deposits held by others	-	-	-	(19,400)
Deferred outflows - related to pension	(99,000)	(32,000)	(131,000)	-
Deferred outflows - related to OPEB	51,412	17,574	68,986	-
Accounts payable	(426,496)	(61,725)	(488,221)	51,331
Accrued liabilities	(1,691)	3,837	2,146	100,280
Other liabilities	(70,669)	10,929	(59,740)	-
Net pension liability	(554,000)	(295,000)	(849,000)	-
Net OPEB liability	126,573	71,574	198,147	-
Deferred inflows - related to pension	404,000	194,000	598,000	-
Deferred inflows - related to OPEB	<u>(140,963)</u>	<u>(56,853)</u>	<u>(197,816)</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 707,677</u>	<u>\$ 177,900</u>	<u>\$ 885,577</u>	<u>\$ 314,125</u>

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

TOWN OF FAIRHAVEN, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Pension and OPEB <u>Trust Fund</u>	Private Purpose <u>Trust Fund</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ 472,153	\$ 183,666	\$ 2,851,348
Investments:			
Corporate bonds	-	220,076	-
Corporate equities	943,149	477,134	-
Equity mutual funds	623,465	38,234	-
External investment pool	93,218,039	-	-
Federal agency securities	-	42,182	-
Market-linked certificates of deposits	-	27,448	-
U.S. Treasury notes	-	100,355	-
Total investments	<u>94,784,653</u>	<u>905,429</u>	-
Receivables	<u>157,421</u>	<u>-</u>	<u>-</u>
Total Assets	95,414,227	1,089,095	2,851,348
Liabilities			
Accounts payable	-	-	119,792
Accrued liabilities	-	-	28,008
Other liabilities	<u>-</u>	<u>-</u>	<u>124,127</u>
Total Liabilities	-	-	271,927
Net Position			
Restricted for pension	93,840,798	-	-
Restricted for OPEB	1,573,429	-	-
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>1,089,095</u>	<u>2,579,421</u>
Total Net Position	<u>\$ 95,414,227</u>	<u>\$ 1,089,095</u>	<u>\$ 2,579,421</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, 2022

	Pension and OPEB <u>Trust Fund</u>	Private Purpose <u>Trust Fund</u>	Custodial <u>Funds</u>
Additions			
Contributions:			
Employer	\$ 5,688,859	\$ -	\$ -
Plan members	1,647,620	-	-
Other systems and Commonwealth of Massachusetts	121,396	-	-
Other	<u>42,565</u>	<u>10,190</u>	<u>-</u>
Total Contributions	7,500,440	10,190	-
Investment Income (Loss):			
Investment income	116,780	16,907	-
Increase (decrease) in fair value of investments	15,477,084	(112,615)	-
Less: management fees	<u>(424,312)</u>	<u>-</u>	<u>-</u>
Net Investment Income (Loss)	15,169,552	(95,708)	-
Fees collected for Mattapoisett River Valley Water District	-	-	2,323,656
Fees collected for Water Supply Protection Committee	-	-	74,246
Fees collected for SEMASS	-	-	1,824,679
Fees collected for students	-	-	235,454
Miscellaneous	<u>-</u>	<u>-</u>	<u>580,383</u>
Total Additions	22,669,992	(85,518)	5,038,418
Deductions			
Benefit payments to plan members, beneficiaries, and other systems	7,285,674	-	-
Member refunds and transfers to other systems	218,514	-	-
Administrative expenses	117,306	-	-
Payments to Mattapoisett River Valley Water District	-	-	1,820,691
Payments to Water Supply Protection Committee	-	-	40,790
Payments to SEMASS	-	-	1,627,646
Payments on behalf of students	-	-	226,315
Other	<u>-</u>	<u>34,735</u>	<u>600,074</u>
Total Deductions	<u>7,621,494</u>	<u>34,735</u>	<u>4,315,516</u>
Change in Net Position	15,048,498	(120,253)	722,902
Restricted Net Position			
Beginning of Year	<u>80,365,729</u>	<u>1,209,348</u>	<u>1,856,519</u>
End of Year	\$ <u><u>95,414,227</u></u>	\$ <u><u>1,089,095</u></u>	\$ <u><u>2,579,421</u></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 accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting policies. The following is a summary of the significant policies of the Town:

Reporting Entity

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the Town 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 the Town's financial statements because of its operational significance and financial relationship with the Town.

Fiduciary Component Unit

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 part of the pension and OPEB trust fund in the fiduciary fund financial statements. Additional financial information of 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. 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 Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of 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 non-operating 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 Fund* is 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 the permanent funds, under which principal and investment income exclusively benefit individuals or private organizations.
- The *Custodial Funds* accounts 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 Mattapoisett 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, 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 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 short-term investments.

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 using 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.

Investments are carried at fair value, except certificates of deposit, which are reported at cost.

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. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Leases

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for

lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue of the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

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 and in the proprietary fund 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/amortized 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 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, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds and prepaid expenditures.
- *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, General Fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period, and special purpose stabilization funds.
- *Assigned* represents amounts that are constrained by the Town’s intent to use these resources for a specific purpose. 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 and funds reserved by Town management for future debt service payments.

- *Unassigned* represents amounts that are available to be spent in future periods and deficit funds. 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 GAAP 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.

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

Certain individual funds reflected deficit balance as of June 30, 2022. It is anticipated that the deficits in these funds will be eliminated through future departmental and grant revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments – Town (Excluding the Pension Trust Fund)

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. 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 Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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.

Deposits

Custodial Credit Risk

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 of deposits.

As of June 30, 2022, \$1,488,630 of the Town's bank balance of \$49,768,764 was exposed to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$5,249,660 was invested in MMDT, which is not subject to this disclosure.

Investments

The following is a summary of the Town's investments as of June 30, 2022 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 5,186
Corporate equities	6,020
Equity mutual funds	1,830
Federal agency securities	994
Market-linked certificates of deposits	647
U.S. Treasury notes	<u>2,365</u>
Total	<u>\$ 17,042</u>

Credit Risk – Investments in Debt Securities

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, 2022, the credit quality rating, as rated by S&P Global Ratings, of the Town's debt securities were as follows (U.S. Treasury notes have an implied rating of AAA) (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>					<u>Not Readily Available</u>
		<u>AAA</u>	<u>A2</u>	<u>A1</u>	<u>BAA1</u>	<u>BAA2</u>	
Corporate bonds	\$ 5,186	\$ 512	\$ 1,103	\$ 968	\$ 1,232	\$ 1,371	\$ -
Federal agency securities	994	994	-	-	-	-	-
Market-linked certificates of deposits	647	-	-	-	-	-	647
U.S. Treasury notes	<u>2,365</u>	<u>2,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,192</u>	<u>\$ 3,871</u>	<u>\$ 1,103</u>	<u>\$ 968</u>	<u>\$ 1,232</u>	<u>\$ 1,371</u>	<u>\$ 647</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, 2022, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

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 invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Individual investments exceeding 5% of the Town's total investments were as follows at June 30, 2022:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Vanguard Total Stock	\$ <u>921</u>	5.40%

Interest Rate Risk – Investments in Debt Securities

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 was as follows at June 30, 2022 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 5,186	\$ -	\$ 4,674	\$ 512
Federal agency securities	994	306	464	224
Market-linked certificates of deposits	647	647	-	-
U.S. Treasury notes	<u>2,365</u>	<u>1,457</u>	<u>908</u>	<u>-</u>
Total	\$ <u>9,192</u>	\$ <u>2,410</u>	\$ <u>6,046</u>	\$ <u>736</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.

At June 30, 2022, none of the Town's investments were exposed 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 an 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 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, 2022 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 5,186	\$ -	\$ 5,186	\$ -
Corporate equities	6,020	6,020	-	-
Equity mutual funds	1,830	1,830	-	-
Federal agency securities	994	-	994	-
Market-linked certificates of deposit	647	-	647	-
U.S. Treasury notes	<u>2,365</u>	<u>2,365</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 17,042</u>	<u>\$ 10,215</u>	<u>\$ 6,827</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 security’s relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments - Pension Trust Fund (The System)

The following is a summary of the System’s investments as of December 31, 2021 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
PRIT Fund *	\$ <u>93,218</u>

Credit Risk – Investments in Debt Securities

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 pension 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 (PRIT) Fund was created under Massachusetts General Laws, Chapter 32, Section 22 in December 1983. The Pension Reserves Investment Trust Fund is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board (PRIM) shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, 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, investments or collateral securities that are in the possession of another party will not be recovered. The System’s investment policy manages custodial credit risk through diversification and the “prudent person” principles outlined in PERAC guidelines.

At December 31, 2021, the System’s investments of \$93,218,039 were comprised of pooled investment funds, which are exempt from custodial credit risk.

Concentration of Credit Risk

Massachusetts General Laws, Chapter 32, Section 23 limit 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 at December 31, 2021 were 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 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 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.

At December 31, 2021, none of the System’s investments were exposed to 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 using 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 had the following fair value measurements as of December 31, 2021 (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 using NAV:				
State Investment Pool (PRIT Fund)	\$ <u>93,218</u>	\$ <u>-</u>	Monthly	30 Days

5. **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. The actual fiscal year 2022 tax levy reflected an excess capacity of \$53,728.

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, 2022 consisted of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 366,682	\$ (38,153)	\$ 328,529	\$ -
Personal property taxes	81,317	(12,822)	68,495	-
Community preservation act	12,484	(1,245)	6,420	4,819
Tax liens	928,297	(92,830)	112,346	723,121
Deferred taxes	<u>22,804</u>	<u>(2,280)</u>	<u>-</u>	<u>20,524</u>
Total property taxes	<u>\$ 1,411,584</u>	<u>\$ (147,330)</u>	<u>\$ 515,790</u>	<u>\$ 748,464</u>
Motor vehicle excise	\$ 365,060	\$ (142,560)	\$ 222,500	-
Boat excise	<u>17,191</u>	<u>(9,763)</u>	<u>7,428</u>	<u>-</u>
Total excises	<u>\$ 382,251</u>	<u>\$ (152,323)</u>	<u>\$ 229,928</u>	<u>-</u>

6. User Fees Receivable

Receivables for user charges at June 30, 2022 consisted of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Proprietary Funds			
Sewer	\$ 486,114	\$ (21,347)	\$ 464,767
Water	<u>271,793</u>	<u>(16,336)</u>	<u>255,457</u>
Subtotal proprietary funds	757,907	(37,683)	720,224
Governmental Funds			
Waterways	<u>24,717</u>	<u>(6,706)</u>	<u>18,011</u>
Subtotal governmental funds	<u>24,717</u>	<u>(6,706)</u>	<u>18,011</u>
Total	<u>\$ 782,624</u>	<u>\$ (44,389)</u>	<u>\$ 738,235</u>

7. 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.

8. Special Assessments Receivable

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

9. Intergovernmental Receivables

This represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

10. Leases Receivable

The Town implemented GASB Statement No. 87, *Leases*, which changed the definition of a lease and requires a lease receivable, offset with deferred inflows, to be shown on the financial statements. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Leases receivable consisted of the following at June 30, 2022:

<u>Purpose</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2022</u>
Wind turbine land	\$ 3,000,000	05/31/42	0.00%	\$ 2,000,000
Landfill land for solar panels	360,000	12/31/42	0.00%	<u>246,000</u>
Total				<u>\$ 2,246,000</u>

Future minimum lease payments under these leases consisted of the following at June 30, 2022:

<u>Year</u>	<u>Principal</u>
2023	\$ 112,000
2024	112,000
2025	112,000
2026	112,000
2027	112,000
2028 - 2032	560,000
2033 - 2037	560,000
2038 - 2042	560,000
2043	<u>6,000</u>
Total	<u>\$ 2,246,000</u>

Wind Turbine Land – On June 1, 2012, the Town entered into a twenty-year lease agreement with CCI Energy, LLC for the lease of Town owned land located on the Assessor’s Map 28 as lots 8, 8A, and 9. Based on the agreement, the Town is receiving quarterly payments through 2042. This lease agreement includes an extension clause for two five-year renewal terms, which are expected to be exercised.

Landfill Land for Solar Panels – On January 1, 2012, the Town entered into a thirty-year lease agreement with Blue Sky Solar – Fairhaven, LLC for the lease of four acres of Town owned land occupying the south slope of the primary landfill mound and the top, southern, and western sides of the secondary landfill mound. Based on the agreement, the Town is receiving quarterly payments through 2042. There are no renewal options included in this lease agreement.

11. 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 a summary of major interfund transfers for the year ended June 30, 2022.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
General Fund	\$ 1,386,656	\$ 58,491
Town Grants Fund	-	2,391
Nonmajor Governmental Funds:		
Special revenue funds:		
Ambulance	-	1,265,000
Waterways	21,866	50,000
Other	-	69,265
Capital projects funds	<u>36,625</u>	<u>-</u>
Subtotal Nonmajor Governmental Funds	<u>58,491</u>	<u>1,384,265</u>
Total	<u>\$ 1,445,147</u>	<u>\$ 1,445,147</u>

Of the transfers into the General Fund, \$1,265,000 was transferred from the Ambulance Receipts Reserved Fund for the annual reimbursement to the General Fund for EMT-related expenses and \$50,000 was transferred from the Waterways Revolving Fund for salaries and capital items. The transfer made from the Ambulance Receipts Reserved Fund to the General Fund was made from a recurring revenue source.

12. Notes Receivable

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

13. 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.

14. Prepaid Items

This balance represents payments made to collaboratives for fiscal year 2023 tuition.

15. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Buildings	\$ 67,335	\$ -	\$ -	\$ 67,335
Improvements	16,377	246	-	16,623
Machinery and equipment	8,945	549	-	9,494
Infrastructure	<u>35,919</u>	<u>1,447</u>	<u>-</u>	<u>37,366</u>
Total Capital Assets, Being Depreciated	128,576	2,242	-	130,818
Less Accumulated Depreciation For:				
Buildings	(28,445)	(1,651)	-	(30,096)
Improvements	(7,844)	(700)	-	(8,544)
Machinery and equipment	(5,850)	(770)	-	(6,620)
Infrastructure	<u>(17,863)</u>	<u>(1,116)</u>	<u>-</u>	<u>(18,979)</u>
Total Accumulated Depreciation	<u>(60,002)</u>	<u>(4,237)</u>	<u>-</u>	<u>(64,239)</u>
Capital Assets, Being Depreciated, Net	68,574	(1,995)	-	66,579
Capital Assets, Not Being Depreciated:				
Land	22,180	-	-	22,180
Construction in progress	<u>1,576</u>	<u>201</u>	<u>(401)</u>	<u>1,376</u>
Total Capital Assets, Not Being Depreciated	<u>23,756</u>	<u>201</u>	<u>(401)</u>	<u>23,556</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,330</u>	<u>\$ (1,794)</u>	<u>\$ (401)</u>	<u>\$ 90,135</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	\$ 45,274	\$ -	\$ -	\$ 45,274
Improvements other than buildings	23,344	83	-	23,427
Machinery and equipment	<u>4,000</u>	<u>71</u>	<u>-</u>	<u>4,071</u>
Total Capital Assets, Being Depreciated	72,618	154	-	72,772
Less Accumulated Depreciation For:				
Buildings and system	(24,803)	(885)	-	(25,688)
Improvements other than buildings	(12,057)	(456)	-	(12,513)
Machinery and equipment	<u>(3,394)</u>	<u>(95)</u>	<u>-</u>	<u>(3,489)</u>
Total Accumulated Depreciation	<u>(40,254)</u>	<u>(1,436)</u>	<u>-</u>	<u>(41,690)</u>
Capital Assets, Being Depreciated, Net	32,364	(1,282)	-	31,082
Capital Assets, Not Being Depreciated:				
Land	989	-	-	989
Construction in progress	<u>1,351</u>	<u>2,916</u>	<u>(83)</u>	<u>4,184</u>
Total Capital Assets, Not Being Depreciated	<u>2,340</u>	<u>2,916</u>	<u>(83)</u>	<u>5,173</u>
Business-Type Activities Capital Assets, Net	<u>\$ 34,704</u>	<u>\$ 1,634</u>	<u>\$ (83)</u>	<u>\$ 36,255</u>

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

Governmental Activities	
General government	\$ 412
Public safety	570
Education	1,852
Public works	1,276
Culture and recreation	<u>127</u>
Total Governmental Activities	<u>\$ 4,237</u>
Business-Type Activities	
Water	\$ 1,230
Sewer	<u>206</u>
Total Business-Type Activities	<u>\$ 1,436</u>

16. Deferred Outflows of Resources

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

17. 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 of Massachusetts Appellate Tax Board.

18. Notes Payable

The Town had the following notes outstanding at June 30, 2022:

	<u>Interest</u>	<u>Date of</u>	<u>Date of</u>	<u>Balance at</u>
	<u>Rate</u>	<u>Issue</u>	<u>Maturity</u>	<u>6/30/22</u>
<u>Governmental Activities</u>				
Fiber Optic Connectivity	1.05%	05/26/22	08/11/22	\$ 135,625
High School Gym Dehumidification	1.05%	05/26/22	08/11/22	272,893
Senior Center HVAC	1.05%	05/26/22	08/11/22	192,857
SCBAs	1.50%	06/15/22	08/11/22	<u>491,800</u>
Total				\$ <u>1,093,175</u>
<u>Business-Type Activities</u>				
West Island Sewer	1.05%	05/26/22	08/11/22	\$ 675,000
Water Meters	1.05%	05/26/22	08/11/22	1,000,000
Sewer Treatment Plant Improvement	1.05%	05/26/22	08/11/22	200,000
Water Meters	1.50%	06/15/22	08/11/22	500,000
Sewer Treatment Plant Improvement	1.50%	06/15/22	08/11/22	300,000
Water Meters	1.50%	06/15/22	08/11/22	500,000
West Island Sewer	1.50%	06/15/22	08/11/22	<u>657,179</u>
Total				\$ <u>3,832,179</u>

The following summarizes activity in notes payable during fiscal year 2022:

	Balance Beginning of Year	New Issues	Paydown	Rollover	Balance End of Year
<u>Governmental Activities</u>					
Fiber Optic Connectivity	\$ 155,000	\$ -	\$ (19,375)	\$ (135,625)	\$ -
High School Gym Dehumidification	283,000	-	(10,107)	(272,893)	-
Senior Center HVAC	200,000	-	(7,143)	(192,857)	-
Fiber Optic Connectivity	-	-	-	135,625	135,625
High School Gym Dehumidification	-	-	-	272,893	272,893
Senior Center HVAC	-	-	-	192,857	192,857
SCBAs	-	491,800	-	-	491,800
Total	<u>\$ 638,000</u>	<u>\$ 491,800</u>	<u>\$ (36,625)</u>	<u>\$ -</u>	<u>\$ 1,093,175</u>
<u>Business-Type Activities</u>					
West Island Sewer	\$ 700,000	\$ -	\$ (25,000)	\$ (675,000)	\$ -
Water Meters	1,000,000	-	-	(1,000,000)	-
Sewer Treatment Plant Improvement	200,000	-	-	(200,000)	-
West Island Sewer	-	-	-	675,000	675,000
Water Meters	-	-	-	1,000,000	1,000,000
Sewer Treatment Plant Improvement	-	-	-	200,000	200,000
Water Meters	-	500,000	-	-	500,000
Sewer Treatment Plant Improvement	-	300,000	-	-	300,000
Water Meters	-	500,000	-	-	500,000
West Island Sewer	-	657,179	-	-	657,179
Total	<u>\$ 1,900,000</u>	<u>\$ 1,957,179</u>	<u>\$ (25,000)</u>	<u>\$ -</u>	<u>\$ 3,832,179</u>

19. Unearned Revenues

Unearned revenues represent grant funds received by the Town from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

20. 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 outstanding are as follows:

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/22
<u>Governmental Activities</u>				
General obligation bonds:				
High school - refunding	\$ 468,000	12/15/24	2.0 - 5.0%	\$ 138,000
Elementary and high school - refunding	5,595,000	03/15/27	2.0 - 3.0%	925,000
General obligation - ladder truck	885,000	06/30/29	3.0 - 5.0%	615,000
Elementary school - refunding	5,210,479	11/01/33	1.0 - 4.0%	<u>5,210,479</u>
Total general obligation bonds				<u>\$ 6,888,479</u>
	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/22
<u>Business-Type Activities</u>				
Sewer - UV Disinfection refunding	\$ 713,000	12/15/24	2.0 - 5.0%	\$ 205,000
Sewer - Sconticut Neck refunding	1,184,000	12/15/24	2.0 - 5.0%	267,000
Sewer - General obligation	7,405,000	06/30/39	3.0 - 5.0%	6,596,893
Water - Boston Hill Water Tank - refunding	14,521	11/01/22	3.0 - 4.0%	<u>14,521</u>
Total general obligation bonds				7,083,414
Sewer - USDA Rural Development	242,243	02/02/26	4.5%	52,689
Sewer Digester	716,000	01/15/33	2.0%	431,485
Water - MCWT Boston Hill Water Tank	884,553	07/15/35	2.0%	<u>515,642</u>
Total loans - direct borrowings				<u>999,816</u>
Total Business-Type Activities				<u>\$ 8,083,230</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2022 were as follows:

Governmental			
<u>Activities</u>	<u>Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 767,479	\$ 181,625	\$ 949,104
2024	771,000	156,020	927,020
2025	765,000	137,955	902,955
2026	720,000	102,305	822,305
2027	715,000	68,705	783,705
2028	535,000	45,005	580,005
2029	530,000	31,580	561,580
2030	440,000	22,705	462,705
2031	430,000	18,140	448,140
2032	415,000	13,285	428,285
2033 - 2034	<u>800,000</u>	<u>10,928</u>	<u>810,928</u>
Total	<u>\$ 6,888,479</u>	<u>\$ 788,253</u>	<u>\$ 7,676,732</u>

Business-Type

<u>Activities</u>	<u>Bonds</u>		<u>Loans - Direct Borrowings</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 474,414	\$ 235,705	\$ 86,930	\$ 21,612	\$ 818,661
2024	459,000	221,810	89,216	20,549	790,575
2025	460,000	202,250	90,826	21,886	774,962
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	395,000	120,275	84,821	5,209	605,305
2033 - 2037	<u>2,180,000</u>	<u>398,913</u>	<u>175,671</u>	<u>6,194</u>	<u>2,760,778</u>
2038 - 2039	<u>980,000</u>	<u>51,800</u>	<u>-</u>	<u>-</u>	<u>1,031,800</u>
Total	<u>\$ 7,083,414</u>	<u>\$ 2,182,203</u>	<u>\$ 999,816</u>	<u>\$ 140,363</u>	<u>\$ 10,405,796</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
Governmental Activities						
Bonds payable	\$ 7,885	\$ 5,210	\$ (6,207)	\$ 6,888	\$ (767)	\$ 6,121
Compensated absences liability	1,545	13	(59)	1,499	(150)	1,349
Landfill liability	225	-	(25)	200	(25)	175
Net pension liability	12,952	-	(6,494)	6,458	-	6,458
Net OPEB liability	<u>43,598</u>	<u>3,214</u>	<u>-</u>	<u>46,812</u>	<u>-</u>	<u>46,812</u>
Total	<u>\$ 66,205</u>	<u>\$ 8,437</u>	<u>\$ (12,785)</u>	<u>\$ 61,857</u>	<u>\$ (942)</u>	<u>\$ 60,915</u>
Business-Type Activities						
Bonds payable	\$ 7,562	\$ 14	\$ (493)	\$ 7,083	\$ (474)	\$ 6,609
Loans payable (direct borrowings)	<u>1,085</u>	<u>-</u>	<u>(85)</u>	<u>1,000</u>	<u>(87)</u>	<u>913</u>
Subtotal	8,647	14	(578)	8,083	(561)	7,522
Compensated absences liability	308	10	(57)	261	(26)	235
Net pension liability	1,657	-	(849)	808	-	808
Net OPEB liability	<u>1,925</u>	<u>198</u>	<u>-</u>	<u>2,123</u>	<u>-</u>	<u>2,123</u>
Total	<u>\$ 12,537</u>	<u>\$ 222</u>	<u>\$ (1,484)</u>	<u>\$ 11,275</u>	<u>\$ (587)</u>	<u>\$ 10,688</u>

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 on, primarily the General Fund and enterprise funds.

Current Refunding

On September 8, 2021, the Town issued general obligation bonds in the amount of \$5,225,000 with a variable interest rate ranging from 1.00% to 4.00% to advance refund \$5,435,000 of term bonds with a variable interest rate ranging from 3.00% to 4.00%. The refunding reduced the Town's total debt service cash flow requirements by \$210,000, which resulted in an economic gain.

21. 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 \$200,000 reported as landfill postclosure care liability at June 30, 2022 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.

22. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the Town that apply 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, in accordance with GASB Statements No. 69 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87 have been recognized in fiscal year 2022, and are offset with leases receivable. *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.

23. Governmental Funds - Balances

The Town's fund balances at June 30, 2022 were comprised of the following:

	General <u>Fund</u>	Town Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 2,714,687	\$ 2,714,687
Prepaid expenditures	<u>209,568</u>	<u>-</u>	<u>-</u>	<u>209,568</u>
Total Nonspendable	209,568	-	2,714,687	2,924,255
Restricted				
Bonded projects	-	-	28,843	28,843
Special revenue funds:				
Community preservation act	-	-	2,064,627	2,064,627
School lunch	-	-	630,054	630,054
Chapter 90 highway	-	-	329,960	329,960
Social day	-	-	69,778	69,778
Ambulance	-	-	1,556,541	1,556,541
Stormwater maintenance fees	-	-	72,906	72,906
Trash fees	-	-	94,001	94,001
Circuit breaker	-	-	458,128	458,128
Tripp School	-	-	115,027	115,027
PEG access - Town	-	-	731,070	731,070
PEG access - School	-	-	349,249	349,249
School rental property	-	-	136,801	136,801
Preschool tuition	-	-	117,966	117,966
Waterway	-	-	160,643	160,643
Eversource highway paving	-	-	708,740	708,740

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	General	Town	Nonmajor	Total
	Fund	Grants	Governmental	Governmental
		Fund	Funds	Funds
Police law enforcement	-	-	142,788	142,788
Animal control	-	-	59,128	59,128
ESSER grant	-	-	426,954	426,954
Union Wharf grant	-	-	455,975	455,975
Other	-	773,582	80,680	854,262
Permanent funds	-	-	564,115	564,115
Total Restricted	-	773,582	9,353,974	10,127,556
Committed				
General government	196,096	-	-	196,096
Public safety	97,118	-	-	97,118
Public works	618,012	-	-	618,012
Culture and recreation	30,000	-	-	30,000
Capital budget	2,472,020	-	-	2,472,020
Ambulance stabilization	311,255	-	-	311,255
Capital stabilization	5,860,713	-	-	5,860,713
Special education reserve stabilization	439,000	-	-	439,000
Total Committed	10,024,214	-	-	10,024,214
Assigned				
General government	127,189	-	-	127,189
Public safety	45,770	-	-	45,770
Education	981,482	-	-	981,482
Public works	111,713	-	-	111,713
Health and human services	13,598	-	-	13,598
Culture and recreation	3,041	-	-	3,041
Debt service	71,674	-	-	71,674
Total Assigned	1,354,467	-	-	1,354,467
Unassigned				
General Fund	7,171,008	-	-	7,171,008
General stabilization funds	3,203,844	-	-	3,203,844
Town grants fund deficits	-	(572,255)	-	(572,255)
Capital project fund deficits	-	-	(1,026,102)	(1,026,102)
Special revenue fund deficits	-	-	(148,526)	(148,526)
Total Unassigned	10,374,852	(572,255)	(1,174,628)	8,627,969
Total Fund Balances	\$ 21,963,101	\$ 201,327	\$ 10,894,033	\$ 33,058,461

24. Fairhaven Contributory 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 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 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 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 the 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 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, 2022 was \$3,558,130, 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 pension 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, 2022, the Town reported a liability of \$7,266,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2021, the Town’s proportion was 96.39%.

For the year ended June 30, 2022, the Town recognized total pension expense of \$546,000. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 3,122,000	\$ 28,000
Changes of assumptions	1,241,000	-
Net difference between projected and actual earnings on pension plan investments	-	10,434,000
Changes in proportion and differences between contributions and proportionate share of contributions	<u>147,000</u>	<u>188,000</u>
Total	<u>\$ 4,510,000</u>	<u>\$ 10,650,000</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (1,065,000)
2024	(2,237,000)
2025	(1,797,000)
2026	(1,239,000)
2027	<u>198,000</u>
Total	<u>\$ (6,140,000)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to a measurement date of December 31, 2021:

Valuation date	January 1, 2022
Actuarial cost methods	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	4.25% for Group 1 and 2 and 4.75% for Fire and Police
Inflation rate	2.50%
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-2020 (gender distinct).
- Post-Retirement Mortality: RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct).
- Disabled Mortality: RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (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, 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	24.00%	6.30%
Int'l equities	12.70%	6.40%
Emerging int'l equities	5.00%	8.70%
Core fixed income	15.10%	2.50%
Value-added fixed income	6.50%	6.40%
Private equity	16.60%	10.10%
Real estate	8.70%	6.00%
Timberland	2.90%	6.60%
Hedge funds/portfolio completions	7.90%	5.60%
Overlay	<u>0.60%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the Town’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$18,179,000	\$ 7,266,000	\$(1,966,000)

Pension Plan Fiduciary Net Position

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

25. 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 of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts’ 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

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) 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 from 2012 - 2020.
- Mortality rates were as follows:
 - Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (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, 2021 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%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 of Massachusetts' 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	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

Special Funding Situation

The Commonwealth of Massachusetts 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 Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts 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 2021 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was \$40,900,327 based on a proportionate share of 0.180123%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of \$3,149,422 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$3,282,081 as both a revenue and expense on the Statement of Activities.

26. **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 Town established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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*. This 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, 2022.

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 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 June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	392
Active employees	<u>380</u>
Total	<u><u>772</u></u>

Investments

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

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (15.19)%. 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	5.46%, net of OPEB plan investment expense, including inflation
Municipal bond rate	4.09% as of June 30, 2022
Discount rate	5.27%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.50% for 2022
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.

Target Allocations

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, 2022 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	24.00%	4.42%
Domestic equity - small/mid cap	14.75%	4.81%
International equity - developed market	11.25%	4.91%
International equity - emerging market	5.25%	5.58%
Domestic fixed income	34.75%	1.00%
International fixed income	6.50%	1.04%
Alternatives	3.00%	5.98%
Real estate	0.00%	6.25%
Cash & cash equivalents	<u>0.50%</u>	0.00%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 5.27% and was based on S&P Municipal Bond 20-Year High Grade Index at June 30, 2022. 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, 2022, were as follows:

Total OPEB liability	\$ 50,508,968
Plan fiduciary net position	<u>1,573,429</u>
Net OPEB liability	<u>\$ 48,935,539</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.12%

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	\$ 47,160,745	\$ 1,637,906	\$ 45,522,839
Changes for the year:			
Service cost	1,112,170	-	1,112,170
Interest	2,606,241	-	2,606,241
Contributions - employer	-	1,997,470	(1,997,470)
Net investment income (loss)	-	(264,477)	264,477
Changes in assumptions or other inputs	1,427,282	-	1,427,282
Benefit payments	<u>(1,797,470)</u>	<u>(1,797,470)</u>	<u>-</u>
Net Changes	<u>3,348,223</u>	<u>(64,477)</u>	<u>3,412,700</u>
Balances, end of year	<u>\$ 50,508,968</u>	<u>\$ 1,573,429</u>	<u>\$ 48,935,539</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 5.50% in 2021 to 5.27% in 2022.

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 was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(4.27%)</u>	Current Discount Rate <u>(5.27%)</u>	1% Increase <u>(6.27%)</u>
\$ 56,748,750	\$ 48,935,539	\$ 42,681,728

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 was 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>
\$ 41,895,291	\$ 48,935,539	\$ 57,869,298

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$2,477,486. At June 30, 2022, 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	\$ -	\$ 3,322,697
Change in assumptions	10,557,659	3,025,073
Net difference between projected and actual OPEB investment earnings	<u>171,052</u>	<u>-</u>
Total	\$ <u>10,728,711</u>	\$ <u>6,347,770</u>

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

<u>Year Ended June 30:</u>	
2023	\$ 206,988
2024	1,651,148
2025	1,252,195
2026	1,104,173
2027	<u>166,437</u>
Total	\$ <u>4,380,941</u>

27. 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 <u>(December 31, 2021)</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Fund
Assets			
Cash and short-term investments	\$ 465,338	\$ 6,815	\$ 472,153
Investments:			
Corporate equities	-	943,149	943,149
External investment pool	93,218,039	-	93,218,039
Mutual funds	<u>-</u>	<u>623,465</u>	<u>623,465</u>
Total investments	93,218,039	1,566,614	94,784,653
Receivables	<u>157,421</u>	<u>-</u>	<u>157,421</u>
Total Assets	\$ <u>93,840,798</u>	\$ <u>1,573,429</u>	\$ <u>95,414,227</u>
Net Position			
Restricted for pension	\$ 93,840,798	\$ -	\$ 93,840,798
Restricted for OPEB	<u>-</u>	<u>1,573,429</u>	<u>1,573,429</u>
Total Net Position	\$ <u>93,840,798</u>	\$ <u>1,573,429</u>	\$ <u>95,414,227</u>

	Pension Trust Fund (year ended <u>December 31, 2021</u>)	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Fund
Additions			
Contributions:			
Employer	\$ 3,691,389	\$ 1,997,470	\$ 5,688,859
Plan members	1,647,620	-	1,647,620
Other systems and Commonwealth of Massachusetts	121,396	-	121,396
Other	<u>42,565</u>	<u>-</u>	<u>42,565</u>
Total Contributions	5,502,970	1,997,470	7,500,440
Investment Income (Loss):			
Investment income	-	116,780	116,780
Increase (decrease) in fair value of investments	15,858,341	(381,257)	15,477,084
Less: management fees	<u>(424,312)</u>	<u>-</u>	<u>(424,312)</u>
Net Investment Income (Loss)	<u>15,434,029</u>	<u>(264,477)</u>	<u>15,169,552</u>
Total Additions	20,936,999	1,732,993	22,669,992
Deductions			
Benefit payments to plan members, beneficiaries, and other systems	5,488,204	1,797,470	7,285,674
Member refunds and transfers to other systems	218,514	-	218,514
Administrative expenses	<u>117,306</u>	<u>-</u>	<u>117,306</u>
Total Deductions	<u>5,824,024</u>	<u>1,797,470</u>	<u>7,621,494</u>
Change in Net Position	15,112,975	(64,477)	15,048,498
Net Position Restricted for Pension and OPEB			
Beginning of Year	<u>78,727,823</u>	<u>1,637,906</u>	<u>80,365,729</u>
End of Year	\$ <u>93,840,798</u>	\$ <u>1,573,429</u>	\$ <u>95,414,227</u>

28. 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, 2022 were as follows:

Claims liability, beginning of year	\$	345,484
Claims incurred/recognized in fiscal year 2022		7,297,408
Claims paid in fiscal year 2022		<u>(7,303,149)</u>
Claims liability, end of year	\$	<u>339,743</u>

29. Change in Accounting Principle

During fiscal year 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This Statement enhances the relevance and consistency of information of the Town’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note 10 for additional details related to the implementation of GASB No. 87.

30. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States of America (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 remains 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 involves planning, design, and capital improvements that commenced in FY2019 and will be completed by 2026 at an estimated total cost of \$50 million to be funded by future debt borrowings.

Encumbrances

At year-end, the Town’s General Fund had \$1,282,793 in encumbrances that will be honored in the next fiscal year.

31. Subsequent Events

Management has evaluated subsequent events through March 29, 2023, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2022, the Town incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligations bond	\$ <u>4,580,000</u>	5.00%	07/27/22	08/01/48

32. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (P3s and APAs), and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the Town beginning with its fiscal year June 30, 2023. These statements establish new reporting and disclosure requirements for P3s, APAs, and SBITAs. Management is currently evaluating the impact of implementing these GASB pronouncements.

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, 2022
(Unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 31,179,965	\$ 31,179,965	\$ 31,619,949	\$ 439,984
Excises	1,950,000	1,950,000	2,528,570	578,570
Penalties, interest, and other taxes	340,000	340,000	310,149	(29,851)
Charges for services	4,743,000	4,743,000	4,571,786	(171,214)
Licenses and permits	640,000	640,000	689,295	49,295
Intergovernmental	12,034,655	12,034,655	12,269,037	234,382
Fines and forfeitures	10,000	10,000	5,073	(4,927)
Investment income	50,000	50,000	39,243	(10,757)
Miscellaneous	94,444	94,444	1,954,640	1,860,196
Total Revenues	51,042,064	51,042,064	53,987,742	2,945,678
Expenditures				
General government	4,220,276	4,220,276	3,719,441	500,835
Public safety	9,103,665	9,169,352	8,994,532	174,820
Education	25,581,325	25,700,102	25,649,543	50,559
Public works	5,012,170	5,012,170	4,848,609	163,561
Human services	1,188,335	1,188,335	938,088	250,247
Culture and recreation	1,242,689	1,242,689	1,166,555	76,134
Employee benefits	9,819,391	9,819,391	9,389,293	430,098
Debt service	1,120,398	1,120,398	985,002	135,396
Intergovernmental	677,045	677,045	676,298	747
Total Expenditures	57,965,294	58,149,758	56,367,361	1,782,397
Excess (deficiency) of revenues over expenditures	(6,923,230)	(7,107,694)	(2,379,619)	4,728,075
Other Financing Sources				
Transfers in	2,581,392	2,581,392	2,583,818	2,426
Use of free cash:				
Operating budget	490,745	675,209	675,209	-
Capital budget	823,869	823,869	823,869	-
Use of prior year assigned fund balance (carryforwards)	3,027,224	3,027,224	3,027,224	-
Total Other Financing Sources	6,923,230	7,107,694	7,110,120	2,426
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 4,730,501	\$ 4,730,501

See Independent Auditor's Report.

**Notes to 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 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>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 56,455,713	\$ 55,867,229	\$ 1,328,165
Record use of prior year assigned fund balance	-	-	3,027,224
Add end-of-year appropriation carryforwards to expenditures	-	2,224,019	-
Record use of free cash	-	-	1,499,078
Reverse the effect of non-budgeted State contributions	(3,149,422)	(3,149,422)	-
Reclassification of indirect costs	-	1,252,707	1,252,707
Reclassification of budgeted transfers to stabilization funds	-	65,000	65,000
Reclassification of wind turbine expenditures	536,824	536,824	-
Reverse effect of combining stabilization funds with general fund per GASB 54	144,627	-	(65,000)
Reclassification of prepaid tuition	-	(526,768)	-
Other	<u>-</u>	<u>97,772</u>	<u>2,946</u>
Budgetary Basis	<u>\$ 53,987,742</u>	<u>\$ 56,367,361</u>	<u>\$ 7,110,120</u>

See Independent Auditor's Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

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

Fairhaven Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	December 31, 2021	96.39%	\$7,266,000	\$13,534,120	53.69%	92.60%
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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2022	June 30, 2021	0.180123%	\$ -	\$ 40,900,327	\$40,900,327	\$13,922,442	- %	62.03%
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 Auditor's Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Fairhaven Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	December 31, 2021	\$ 3,558,130	\$ 3,558,130	\$ -	\$ 13,039,777	27.29%
June 30, 2021	December 31, 2020	\$ 3,388,344	\$ 3,388,344	\$ -	\$ 12,220,604	27.73%
June 30, 2020	December 31, 2019	\$ 3,227,999	\$ 3,227,999	\$ -	\$ 12,184,816	26.49%
June 30, 2019	December 31, 2018	\$ 3,079,385	\$ 3,079,385	\$ -	\$ 11,526,006	26.72%
June 30, 2018	December 31, 2017	\$ 2,946,801	\$ 2,946,801	\$ -	\$ 10,590,589	27.82%
June 30, 2017	December 31, 2016	\$ 2,799,586	\$ 2,859,586	\$ (60,000)	\$ 10,059,131	28.43%
June 30, 2016	December 31, 2015	\$ 2,662,396	\$ 2,679,322	\$ (16,926)	\$ 9,247,527	28.97%
June 30, 2015	December 31, 2014	\$ 2,533,204	\$ 2,533,204	\$ -	\$ 9,518,418	26.61%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	June 30, 2021	\$ 3,149,422	\$ 3,149,422	\$ -	\$ 14,943,912	21.07%
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 Auditor's Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Schedule of Changes in Net OPEB Liability
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 1,112,170	\$ 766,984	\$ 732,744	\$ 780,352	\$ 724,378	\$ 1,596,309
Interest	2,606,241	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	1,427,282	11,753,977	(2,222,956)	6,502,221	(18,782,732)	-
Benefit payments, including refunds of member contributions	<u>(1,797,470)</u>	<u>(1,898,148)</u>	<u>(1,877,756)</u>	<u>(1,768,831)</u>	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in total OPEB liability	3,348,223	8,156,849	(886,794)	7,644,637	(15,948,340)	2,157,949
Total OPEB liability - beginning	<u>47,160,745</u>	<u>39,003,896</u>	<u>39,890,690</u>	<u>32,246,053</u>	<u>48,194,393</u>	<u>46,036,444</u>
Total OPEB liability - ending (a)	50,508,968	47,160,745	39,003,896	39,890,690	32,246,053	48,194,393
Plan Fiduciary Net Position						
Contributions - employer	1,997,470	2,198,148	2,127,756	1,968,831	1,420,582	1,302,254
Net investment income (loss)	(264,477)	307,180	29,286	37,589	16,779	24,778
Benefit payments, including refunds of member contributions	<u>(1,797,470)</u>	<u>(1,898,148)</u>	<u>(1,877,756)</u>	<u>(1,768,831)</u>	<u>(1,270,582)</u>	<u>(1,202,254)</u>
Net change in plan fiduciary net position	(64,477)	607,180	279,286	237,589	166,779	124,778
Plan fiduciary net position - beginning	<u>1,637,906</u>	<u>1,030,726</u>	<u>751,440</u>	<u>513,851</u>	<u>347,072</u>	<u>222,294</u>
Plan fiduciary net position - ending (b)	<u>1,573,429</u>	<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 - ending (a-b)	\$ <u>48,935,539</u>	\$ <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>

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 Auditor's Report.

TOWN OF FAIRHAVEN, MASSACHUSETTS

Required Supplementary Information
Schedules of Net OPEB Liability, Contributions, and Investment Returns
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 50,508,968	\$ 47,160,745	\$ 39,003,896	\$ 39,890,690	\$ 32,246,053	\$ 48,194,393
Plan fiduciary net position	<u>1,573,429</u>	<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>\$ 48,935,539</u>	<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	3.12%	3.47%	2.64%	1.88%	1.59%	0.72%
Covered employee payroll	\$ 31,033,699	\$ 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	157.69%	151.09%	135.08%	143.41%	114.12%	177.23%
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions						
Actuarially determined contribution	\$ 3,130,419	\$ 2,869,856	\$ 3,527,717	\$ 3,528,492	\$ 4,327,970	\$ 4,143,844
Contributions in relation to the actuarially determined contribution	<u>1,997,470</u>	<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	<u>\$ 1,132,949</u>	<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	\$ 31,033,699	\$ 30,129,805	\$ 28,110,619	\$ 27,291,862	\$ 27,807,179	\$ 26,997,261
Contributions as a percentage of covered employee payroll	6.44%	7.30%	7.57%	7.21%	5.11%	4.82%
	<u>2022</u>	<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	-15.19%	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 Auditor's 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 AUDITOR'S 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, 2022 (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2021), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 29, 2023.

Report on 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 Town'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



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 or significant deficiencies may exist that have not been identified.

Report on 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
March 29, 2023