



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF FAIRHAVEN, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

TOWN OF FAIRHAVEN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Honorable Select Board
Town of Fairhaven, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairhaven, Massachusetts, as of and for the year ended June 30, 2023 (except for the Fairhaven Contributory Retirement System which is of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the Town of Fairhaven, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, 2023 (except for the Fairhaven Contributory Retirement System, which is as of and for the year ended December 31, 2022), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of Fairhaven, Massachusetts' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fairhaven, Massachusetts' 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 of Fairhaven, Massachusetts' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of the Town of Fairhaven, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Fairhaven, Massachusetts' 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 of Fairhaven, Massachusetts' internal control over financial reporting and compliance.



March 29, 2024

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Fairhaven, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2023. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Government Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors, rating agencies and management) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Summary

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$96.2 million at the close of 2023 (net position).
- The Town has reported a \$48.8 million net other postemployment benefits (OPEB) liability, as well as \$7.9 million of deferred outflows of resources and \$5.1 million of deferred inflows of resources related to OPEB on the statement of net position.
- The Town has reported a \$21.6 million net pension liability, as well as \$8.2 million of deferred outflows of resources and \$26,000 of deferred inflows of resources related to pensions on the statement of net position.
- The Town issued long-term debt totaling \$4.6 million 2023, of which \$1.0 million is reported in the governmental activities, \$1.8 million is reported in the sewer enterprise fund, and \$1.8 million is reported in the water enterprise fund. The bond proceeds were used to retire short-term debt totaling \$4.9 million.
- At the close of 2023, the Town's general fund reported an ending fund balance of \$23.1 million, an increase of \$1.1 million from the prior year. Unassigned fund balance for the general fund was \$8.4 million, which represents 14.2% of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Fairhaven's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, 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 of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent 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 result in cash flows in future periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both government-wide statements distinguish functions of the Town 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 of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and interest. The business-type activities include the water and sewer operations.

The government-wide financial statements include not only the Town of Fairhaven itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Fairhaven is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Fairhaven adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town maintains an internal service fund to account for self-insured employee health and dental programs.

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

Notes to the basic 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$96.2 million at the close of 2023, a decrease of \$843,000 from the prior year.

A significant portion of the Town's net position, \$108.6 million, reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of its 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 the Town's net position, \$12.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position of \$24.7 million is due to the recognition of the net OPEB liability in the amount of \$48.8 million and the net pension liability in the amount of \$21.6 million. These are long-term unfunded liabilities that will not require significant short-term resources.

At the end of the current year, the Town is able to report positive balances in two of the three categories of net position, for the Town as a whole and for its governmental activities. The business-type activities report positive balance in both categories of net position. Details related to the Town's governmental and business-type activities follow.

Governmental activities. The Town's governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$64.6 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 49,395,339	\$ 43,087,135
Noncurrent assets (excluding capital).....	1,615,238	3,531,374
Capital assets, non depreciable.....	23,894,474	23,555,863
Capital assets, net of accumulated depreciation....	64,736,789	66,578,812
Total assets.....	139,641,840	136,753,184
Deferred outflows of resources.....	14,816,015	14,270,239
Liabilities:		
Current liabilities (excluding debt).....	8,486,451	5,392,650
Noncurrent liabilities (excluding debt).....	67,642,578	54,794,885
Current debt.....	937,018	1,860,654
Noncurrent debt.....	6,272,811	6,121,000
Total liabilities.....	83,338,858	68,169,189
Deferred inflows of resources.....	6,537,018	17,648,368
Net position:		
Net investment in capital assets.....	81,488,508	82,190,094
Restricted.....	12,225,085	12,039,820
Unrestricted.....	(29,131,614)	(29,024,048)
Total net position.....	\$ 64,581,979	\$ 65,205,866

	2023	2022
Program Revenues:		
Charges for services.....	\$ 6,675,109	\$ 5,933,720
Operating grants and contributions.....	19,680,714	19,580,496
Capital grants and contributions.....	714,332	757,517
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	32,032,868	31,095,989
Tax and other liens.....	111,333	1,410,319
Motor vehicle and other excise taxes.....	3,504,014	3,432,340
Community preservation tax.....	485,893	461,499
Penalties and interest on taxes.....	265,638	325,346
Grants and contributions not restricted to specific programs.....	4,020,626	3,855,053
Unrestricted investment income.....	997,961	(657,615)
Miscellaneous.....	157,580	126,379
Total revenues.....	68,646,068	66,321,043
Expenses:		
General government.....	5,667,411	5,266,603
Public safety.....	13,659,753	12,613,050
Education.....	39,868,886	37,211,063
Public works.....	6,949,748	6,789,636
Health and human services.....	1,280,742	1,292,291
Culture and recreation.....	1,611,882	1,414,289
Interest.....	231,533	161,377
Total expenses.....	69,269,955	64,748,308
Change in net position.....	(623,887)	1,572,735
Net position, beginning of year.....	65,205,866	63,633,131
Net position, end of year.....	\$ 64,581,979	\$ 65,205,866

The governmental net position decreased by \$624,000 during the current year. The decrease was primarily due to a combined increase of \$1.6 million in the net OPEB liability, net pension liability, and related deferred inflows and outflows of resources. This decrease was offset by positive budgetary results in the general fund, as well as the receipt of \$714,000 of capital grants in connection with state infrastructure grant programs.

Governmental expenses totaled \$69.3 million, of which \$27.1 million (39.1%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$41.6 million, primarily coming from property taxes, grants and contributions not restricted to specific programs, and motor vehicle and other excise taxes.

Business-type activities. Combined business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.6 million at the close of 2023. Business-type net position of \$27.1 million represents the net investment in capital assets while \$4.5 million is unrestricted. The Town's business-type net position decreased by \$219,000 during the current year. Details of the key elements of business-type operations are presented on the following page.

	2023	2022
Assets:		
Current assets.....	\$ 8,448,290	\$ 10,961,452
Noncurrent assets (excluding capital).....	343,253	494,811
Capital assets, non depreciable.....	8,044,838	5,173,234
Capital assets, net of accumulated depreciation....	30,435,600	31,082,169
Total assets.....	47,271,981	47,711,666
Deferred outflows of resources.....	1,223,781	968,472
Liabilities:		
Current liabilities (excluding debt).....	554,582	160,819
Noncurrent liabilities (excluding debt).....	4,745,789	3,166,242
Current debt.....	783,000	4,393,523
Noncurrent debt.....	10,546,503	7,521,886
Total liabilities.....	16,629,874	15,242,470
Deferred inflows of resources.....	242,997	1,595,402
Net position:		
Net investment in capital assets.....	27,150,935	25,460,278
Unrestricted.....	4,471,956	6,381,988
Total net position.....	\$ 31,622,891	\$ 31,842,266
Program Revenues:		
Charges for services.....	\$ 7,551,264	\$ 7,493,353
Capital grants and contributions.....	-	36,784
General Revenues:		
Unrestricted investment income.....	54,683	(14,858)
Miscellaneous.....	6,529	8,472
Total revenues.....	7,612,476	7,523,751
Expenses:		
Water.....	3,343,497	3,111,893
Sewer.....	4,488,354	4,244,683
Total expenses.....	7,831,851	7,356,576
Change in net position.....	(219,375)	167,175
Net position, beginning of year.....	31,842,266	31,675,091
Net position, end of year.....	\$ 31,622,891	\$ 31,842,266

Net position of the water and sewer enterprise funds decreased by \$131,000 and \$89,000, respectively, during the current year. These decreases were the result of positive operating results, offset by the change in long-term accruals for the net OPEB and net pension liabilities.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$36.0 million, of which \$23.1 million is for the general fund, \$696,000 is for the Town grants fund, and \$12.2 million is for the nonmajor governmental funds. Cumulatively there was an increase of \$2.9 million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$8.4 million, while total fund balance was \$23.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 14.2% of general fund expenditures, while total fund balance represents 39.0% of that same amount. The general fund experienced an increase of \$1.1 million during 2023, which is primarily due to a \$925,000 increase from budgetary operating results. General fund revenues exceeded the budget by \$1.4 million, expenditures were under budget by \$1.5 million, and carryforwards increased by \$1.0 million. These surpluses were offset by the use of free cash to fund capital projects and supplement the operating budget.

The Town grant major fund experienced an increase of \$494,000 in 2023 and ended the year with fund balance totaling \$696,000. The increase was the result of expected timing differences between the receipt and expenditure of various state and federal grants.

The nonmajor governmental funds had a combined ending fund balance of \$12.2 million and increased by \$1.3 million during the current year. The nonmajor governmental funds recognized bond proceeds and premiums totaling \$1.1 million and made \$1.9 million of budgeted transfers to the general fund.

General Fund Budgetary Highlights

The Town adopts an annual appropriated budget for its general fund. The original 2023 approved budget for the general fund authorized \$60.9 million in appropriations and other amounts to be raised, including \$2.2 million of encumbrances and articles carried forward from the prior year.

During the year the Town approved supplemental appropriations totaling \$678,000, which were primarily funded by the use of free cash. Total revenues came in over budget by \$1.4 million, with the largest surpluses relating to investment income and motor vehicle excise taxes. Total expenditures came in under budget by \$1.5 million.

Capital Asset and Debt Administration

Capital Assets. Total investment in capital assets for governmental and business-type activities at year-end amount to \$127.1 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

The Town invested approximately \$2.8 million for governmental capital asset additions in 2023, which consisted of various infrastructure and building improvement projects, and the purchase of machinery, vehicles and equipment.

The Town invested approximately \$3.6 million for business-type capital asset additions in 2023, of which \$2.5 million related to sewer projects and \$1.1 million related to water projects.

Debt Administration. The Town maintains an AA+ rating from S&P Global Ratings for general obligation debt.

Outstanding governmental long-term debt totaled \$7.2 million at year-end, an increase of \$321,000 from the prior year. The increase was due to the receipt of \$1.1 million of proceeds and premiums in 2023, offset by \$767,000 of budgeted principal payments.

Outstanding business-type long-term debt totaled \$11.3 million, an increase of \$3.2 million from the prior year. The increase was due to the receipt of \$3.8 million of proceeds and premiums in 2023, offset by principal payments of \$561,000. Of the total business-type debt outstanding, \$8.8 million relates to the sewer enterprise fund and \$2.5 million relates to the water enterprise fund.

Please refer to notes 4, 6, and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Fairhaven's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 40 Center Street, Fairhaven, MA 02719.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 30,884,406	\$ 6,027,976	\$ 36,912,382
Investments.....	13,774,544	1,688,448	15,462,992
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	512,398	-	512,398
Tax and utility liens.....	894,562	181,288	1,075,850
Motor vehicle and other excise taxes.....	211,372	-	211,372
User charges.....	21,791	550,578	572,369
Community preservation fund surtax.....	14,937	-	14,937
Community preservation state share.....	102,996	-	102,996
Departmental and other.....	479,263	-	479,263
Intergovernmental.....	199,433	-	199,433
Loans.....	480,692	-	480,692
Lease receivables.....	72,718	-	72,718
Tax foreclosures.....	647,027	-	647,027
Working capital deposit.....	1,099,200	-	1,099,200
Total current assets.....	<u>49,395,339</u>	<u>8,448,290</u>	<u>57,843,629</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	1,988	343,253	345,241
Lease receivables.....	1,613,250	-	1,613,250
Capital assets, nondepreciable.....	23,894,474	8,044,838	31,939,312
Capital assets, net of accumulated depreciation.....	<u>64,736,789</u>	<u>30,435,600</u>	<u>95,172,389</u>
Total noncurrent assets.....	<u>90,246,501</u>	<u>38,823,691</u>	<u>129,070,192</u>
TOTAL ASSETS.....	<u>139,641,840</u>	<u>47,271,981</u>	<u>186,913,821</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	7,276,000	880,000	8,156,000
Deferred outflows related to other postemployment benefits.....	7,540,015	343,781	7,883,796
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>14,816,015</u>	<u>1,223,781</u>	<u>16,039,796</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,209,935	366,101	2,576,036
Accrued payroll.....	384,742	46,878	431,620
Health claims payable.....	956,168	-	956,168
Tax refunds payable.....	718,925	-	718,925
Accrued interest.....	46,559	77,171	123,730
Other liabilities.....	1,389,727	36,463	1,426,190
Unearned revenue.....	2,582,788	-	2,582,788
Landfill closure.....	25,000	-	25,000
Compensated absences.....	172,607	27,969	200,576
Bonds payable.....	<u>937,018</u>	<u>783,000</u>	<u>1,720,018</u>
Total current liabilities.....	<u>9,423,469</u>	<u>1,337,582</u>	<u>10,761,051</u>
NONCURRENT:			
Landfill closure.....	150,000	-	150,000
Compensated absences.....	1,553,461	251,722	1,805,183
Net pension liability.....	19,265,000	2,366,000	21,631,000
Net other postemployment benefits liability.....	46,674,117	2,128,067	48,802,184
Bonds payable.....	<u>6,272,811</u>	<u>10,546,503</u>	<u>16,819,314</u>
Total noncurrent liabilities.....	<u>73,915,389</u>	<u>15,292,292</u>	<u>89,207,681</u>
TOTAL LIABILITIES.....	<u>83,338,858</u>	<u>16,629,874</u>	<u>99,968,732</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receivables.....	1,685,968	-	1,685,968
Deferred inflows related to pensions.....	4,000	22,000	26,000
Deferred inflows related to other postemployment benefits.....	4,847,050	220,997	5,068,047
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>6,537,018</u>	<u>242,997</u>	<u>6,780,015</u>
NET POSITION			
Net investment in capital assets.....	81,488,508	27,150,935	108,639,443
Restricted for:			
Permanent funds:			
Expendable.....	497,542	-	497,542
Nonexpendable.....	2,801,705	-	2,801,705
Gifts and grants.....	6,677,512	-	6,677,512
Community preservation.....	2,248,326	-	2,248,326
Unrestricted.....	<u>(29,131,614)</u>	<u>4,471,956</u>	<u>(24,659,658)</u>
TOTAL NET POSITION.....	<u>\$ 64,581,979</u>	<u>\$ 31,622,891</u>	<u>\$ 96,204,870</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,667,411	\$ 752,939	\$ 1,502,893	\$ -	\$ (3,411,579)
Public safety.....	13,659,753	2,395,066	221,319	-	(11,043,368)
Education.....	39,868,886	3,154,527	16,789,261	-	(19,925,098)
Public works.....	6,949,748	138,194	281,261	714,332	(5,815,961)
Health and human services.....	1,280,742	612	580,905	-	(699,225)
Culture and recreation.....	1,611,882	233,771	305,075	-	(1,073,036)
Interest.....	231,533	-	-	-	(231,533)
Total Governmental Activities.....	69,269,955	6,675,109	19,680,714	714,332	(42,199,800)
<i>Business-Type Activities:</i>					
Water.....	3,343,497	3,208,632	-	-	(134,865)
Sewer.....	4,488,354	4,342,632	-	-	(145,722)
Total Business-Type Activities.....	7,831,851	7,551,264	-	-	(280,587)
Total Primary Government.....	\$ 77,101,806	\$ 14,226,373	\$ 19,680,714	\$ 714,332	\$ (42,480,387)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(42,199,800)	(280,587)	(42,480,387)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	32,032,868	-	32,032,868
Tax and other liens.....	111,333	-	111,333
Motor vehicle excise taxes.....	2,195,603	-	2,195,603
Hotel/motel tax.....	402,601	-	402,601
Meals tax.....	445,233	-	445,233
Other excise tax.....	460,577	-	460,577
Community preservation tax.....	485,893	-	485,893
Penalties and interest on taxes.....	265,638	-	265,638
Grants and contributions not restricted to specific programs.....	4,020,626	-	4,020,626
Unrestricted investment income.....	997,961	54,683	1,052,644
Miscellaneous.....	157,580	6,529	164,109
Total general revenues and transfers.....	41,575,913	61,212	41,637,125
 Change in net position.....	 (623,887)	 (219,375)	 (843,262)
<i>Net position:</i>			
Beginning of year.....	65,205,866	31,842,266	97,048,132
 End of year..... \$	 <u>64,581,979</u>	 <u>31,622,891</u>	 <u>96,204,870</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	Town Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 16,472,664	\$ 3,519,719	\$ 8,979,512	\$ 28,971,895
Investments.....	10,242,583	-	3,531,961	13,774,544
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	512,398	-	-	512,398
Tax liens.....	894,562	-	-	894,562
Motor vehicle and other excise taxes.....	211,372	-	-	211,372
User charges.....	-	-	21,791	21,791
Community preservation fund surtax.....	-	-	14,937	14,937
Community preservation state share.....	-	-	102,996	102,996
Departmental and other.....	2,418	-	400,985	403,403
Intergovernmental.....	199,433	-	-	199,433
Special assessments.....	-	-	1,988	1,988
Loans.....	-	480,692	-	480,692
Lease receivables.....	1,685,968	-	-	1,685,968
Tax foreclosures.....	647,027	-	-	647,027
TOTAL ASSETS.....	\$ 30,868,425	\$ 4,000,411	\$ 13,054,170	\$ 47,923,006
LIABILITIES				
Warrants payable.....	\$ 1,694,874	\$ 236,629	\$ 278,432	\$ 2,209,935
Accrued payroll.....	372,061	4,725	7,956	384,742
Tax refunds payable.....	718,925	-	-	718,925
Other liabilities.....	1,389,727	-	-	1,389,727
Unearned revenue.....	-	2,582,788	-	2,582,788
TOTAL LIABILITIES.....	4,175,587	2,824,142	286,388	7,286,117
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	1,954,610	480,692	542,697	2,977,999
Deferred inflows related to lease receivables.....	1,685,968	-	-	1,685,968
TOTAL DEFERRED INFLOWS OF RESOURCES.....	3,640,578	480,692	542,697	4,663,967
FUND BALANCES				
Nonspendable.....	-	-	2,801,705	2,801,705
Restricted.....	-	695,577	9,423,380	10,118,957
Committed.....	13,479,060	-	-	13,479,060
Assigned.....	1,157,987	-	-	1,157,987
Unassigned.....	8,415,213	-	-	8,415,213
TOTAL FUND BALANCES.....	23,052,260	695,577	12,225,085	35,972,922
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 30,868,425	\$ 4,000,411	\$ 13,054,170	\$ 47,923,006

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

Total governmental fund balances.....	\$	35,972,922
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		88,631,263
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,977,999
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		9,964,965
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		2,131,403
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(46,559)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(7,209,829)	
Net pension liability.....	(19,265,000)	
Net other postemployment benefits liability.....	(46,674,117)	
Landfill closure.....	(175,000)	
Compensated absences.....	<u>(1,726,068)</u>	
Net effect of reporting long-term liabilities.....		<u>(75,050,014)</u>
Net position of governmental activities.....	\$	<u>64,581,979</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

	General	Town Grants	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 31,941,262	\$ -	\$ -	\$ 31,941,262
Tax liens.....	141,531	-	-	141,531
Motor vehicle and other excise taxes.....	2,214,162	-	-	2,214,162
Hotel/motel tax.....	402,601	-	-	402,601
Meals tax.....	445,233	-	-	445,233
Other excise tax.....	460,577	-	-	460,577
Charges for services.....	180,287	-	2,614,665	2,794,952
Penalties and interest on taxes.....	264,297	-	-	264,297
Fees and rentals.....	837,691	-	-	837,691
Licenses and permits.....	586,621	-	-	586,621
Fines and forfeitures.....	6,959	-	-	6,959
Intergovernmental - state aid.....	12,481,006	-	-	12,481,006
Intergovernmental - Teachers Retirement.....	3,864,814	-	-	3,864,814
Intergovernmental - other.....	-	2,020,690	4,299,153	6,319,843
Departmental and other.....	3,579,542	-	-	3,579,542
Community preservation taxes.....	-	-	486,907	486,907
Community preservation state match.....	-	-	178,437	178,437
Contributions and donations.....	-	-	295,326	295,326
Investment income.....	847,558	169	138,208	985,935
Miscellaneous.....	187,036	-	-	187,036
TOTAL REVENUES.....	58,441,177	2,020,859	8,012,696	68,474,732
EXPENDITURES:				
Current:				
General government.....	3,676,991	1,111,053	228,665	5,016,709
Public safety.....	8,965,615	279,456	150,744	9,395,815
Education.....	25,645,171	-	4,143,374	29,788,545
Public works.....	4,284,998	50,000	841,193	5,176,191
Health and human services.....	912,352	73,425	56,022	1,041,799
Culture and recreation.....	1,241,467	12,675	644,385	1,898,527
Pension benefits.....	3,319,131	-	-	3,319,131
Pension benefits - Teachers Retirement.....	3,864,814	-	-	3,864,814
Employee benefits.....	5,522,197	-	-	5,522,197
State and county charges.....	672,919	-	-	672,919
Debt service:				
Principal.....	767,479	-	-	767,479
Interest.....	184,974	-	-	184,974
TOTAL EXPENDITURES.....	59,058,108	1,526,609	6,064,383	66,649,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(616,931)	494,250	1,948,313	1,825,632
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	1,010,000	1,010,000
Premium from issuance of bonds.....	-	-	78,829	78,829
Transfers in.....	1,763,500	-	157,410	1,920,910
Transfers out.....	(57,410)	-	(1,863,500)	(1,920,910)
TOTAL OTHER FINANCING SOURCES (USES)...	1,706,090	-	(617,261)	1,088,829
NET CHANGE IN FUND BALANCES.....	1,089,159	494,250	1,331,052	2,914,461
FUND BALANCES AT BEGINNING OF YEAR.....	21,963,101	201,327	10,894,033	33,058,461
FUND BALANCES AT END OF YEAR.....	\$ 23,052,260	\$ 695,577	\$ 12,225,085	\$ 35,972,922

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....	\$	2,914,461
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		2,829,332
Depreciation expense.....		<u>(4,332,744)</u>
Net effect of reporting capital assets.....		(1,503,412)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		159,310
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....		(1,010,000)
Premium from issuance of bonds.....		(78,829)
Debt service principal payments.....		<u>767,479</u>
Net effect of reporting long-term debt.....		(321,350)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(226,685)
Net change in accrued interest on long-term debt.....		(46,559)
Net change in deferred outflow/(inflow) of resources related to pensions.....		12,595,000
Net change in net pension liability.....		(12,807,000)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		(1,497,906)
Net change in net other postemployment benefits liability.....		138,323
Net change in landfill closure.....		<u>25,000</u>
Net effect of recording long-term liabilities.....		(1,819,827)
The net activity of internal service funds is reported with Governmental Activities.....		<u>(53,069)</u>
Change in net position of governmental activities.....	\$	<u><u>(623,887)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 2,115,495	\$ 3,912,481	\$ 6,027,976	\$ 1,912,511
Investments.....	-	1,688,448	1,688,448	-
Receivables, net of allowance for uncollectibles:				
Liens - user charges.....	77,396	103,892	181,288	-
User charges.....	182,235	368,343	550,578	-
Departmental and other.....	-	-	-	75,860
Working capital deposit.....	-	-	-	1,099,200
Total current assets.....	<u>2,375,126</u>	<u>6,073,164</u>	<u>8,448,290</u>	<u>3,087,571</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	343,253	343,253	-
Capital assets, non depreciable.....	3,160,816	4,884,022	8,044,838	-
Capital assets, net of accumulated depreciation.....	<u>3,530,881</u>	<u>26,904,719</u>	<u>30,435,600</u>	<u>-</u>
Total noncurrent assets.....	<u>6,691,697</u>	<u>32,131,994</u>	<u>38,823,691</u>	<u>-</u>
TOTAL ASSETS.....	<u>9,066,823</u>	<u>38,205,158</u>	<u>47,271,981</u>	<u>3,087,571</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	306,000	574,000	880,000	-
Deferred outflows related to other postemployment benefits.....	<u>117,391</u>	<u>226,390</u>	<u>343,781</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>423,391</u>	<u>800,390</u>	<u>1,223,781</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	134,880	231,221	366,101	-
Accrued payroll.....	19,106	27,772	46,878	-
Health claims payable.....	-	-	-	956,168
Accrued interest.....	42,012	35,159	77,171	-
Other liabilities.....	2,791	33,672	36,463	-
Compensated absences.....	11,234	16,735	27,969	-
Bonds payable.....	<u>228,971</u>	<u>554,029</u>	<u>783,000</u>	<u>-</u>
Total current liabilities.....	<u>438,994</u>	<u>898,588</u>	<u>1,337,582</u>	<u>956,168</u>
NONCURRENT:				
Compensated absences.....	101,107	150,615	251,722	-
Net pension liability.....	823,000	1,543,000	2,366,000	-
Net other postemployment benefits liability.....	726,671	1,401,396	2,128,067	-
Bonds payable.....	<u>2,251,920</u>	<u>8,294,583</u>	<u>10,546,503</u>	<u>-</u>
Total noncurrent liabilities.....	<u>3,902,698</u>	<u>11,389,594</u>	<u>15,292,292</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>4,341,692</u>	<u>12,288,182</u>	<u>16,629,874</u>	<u>956,168</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	8,000	14,000	22,000	-
Deferred inflows related to other postemployment benefits.....	<u>75,464</u>	<u>145,533</u>	<u>220,997</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>83,464</u>	<u>159,533</u>	<u>242,997</u>	<u>-</u>
NET POSITION				
Net investment in capital assets.....	4,210,806	22,940,129	27,150,935	-
Unrestricted.....	<u>854,252</u>	<u>3,617,704</u>	<u>4,471,956</u>	<u>2,131,403</u>
TOTAL NET POSITION.....	<u>\$ 5,065,058</u>	<u>\$ 26,557,833</u>	<u>\$ 31,622,891</u>	<u>\$ 2,131,403</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES:				
Charges for services.....	\$ 3,208,632	\$ 4,342,632	\$ 7,551,264	\$ -
Employee and employer contributions.....	-	-	-	7,570,547
Other operating revenues.....	3,675	2,854	6,529	-
TOTAL OPERATING REVENUES	<u>3,212,307</u>	<u>4,345,486</u>	<u>7,557,793</u>	<u>7,570,547</u>
OPERATING EXPENSES:				
Cost of services and administration.....	1,015,556	1,968,177	2,983,733	-
Salaries and wages.....	684,799	1,026,420	1,711,219	-
Intergovernmental assessment.....	1,345,452	-	1,345,452	-
Depreciation.....	206,207	1,176,009	1,382,216	-
Employee benefits.....	-	-	-	7,635,642
TOTAL OPERATING EXPENSES	<u>3,252,014</u>	<u>4,170,606</u>	<u>7,422,620</u>	<u>7,635,642</u>
OPERATING INCOME (LOSS)	<u>(39,707)</u>	<u>174,880</u>	<u>135,173</u>	<u>(65,095)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	606	54,077	54,683	12,026
Interest expense.....	(91,483)	(317,748)	(409,231)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	<u>(90,877)</u>	<u>(263,671)</u>	<u>(354,548)</u>	<u>12,026</u>
CHANGE IN NET POSITION	(130,584)	(88,791)	(219,375)	(53,069)
NET POSITION AT BEGINNING OF YEAR	<u>5,195,642</u>	<u>26,646,624</u>	<u>31,842,266</u>	<u>2,184,472</u>
NET POSITION AT END OF YEAR	<u>\$ 5,065,058</u>	<u>\$ 26,557,833</u>	<u>\$ 31,622,891</u>	<u>\$ 2,131,403</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 3,208,133	\$ 4,338,018	\$ 7,546,151	\$ -
Receipts from interfund services provided.....	-	-	-	7,461,587
Payments to vendors.....	(2,315,462)	(2,090,550)	(4,406,012)	-
Payments to employees.....	(677,325)	(978,162)	(1,655,487)	-
Payments for interfund services used.....	-	-	-	(7,534,298)
NET CASH FROM OPERATING ACTIVITIES.....	215,346	1,269,306	1,484,652	(72,711)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds.....	1,805,000	1,765,000	3,570,000	-
Premium from the issuance of bonds.....	195,000	42,179	237,179	-
Capital contributions.....	-	143,648	143,648	-
Acquisition and construction of capital assets.....	(986,162)	(2,311,569)	(3,297,731)	-
Principal payments on bonds and notes.....	(2,049,272)	(2,343,813)	(4,393,085)	-
Interest expense.....	(49,471)	(282,589)	(332,060)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,084,905)	(2,987,144)	(4,072,049)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Purchase of investments.....	-	(307,344)	(307,344)	-
Investment income.....	606	54,077	54,683	12,026
NET CASH FROM INVESTING ACTIVITIES.....	606	(253,267)	(252,661)	12,026
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(868,953)	(1,971,105)	(2,840,058)	(60,685)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,984,448	5,883,586	8,868,034	1,973,196
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,115,495	\$ 3,912,481	\$ 6,027,976	\$ 1,912,511
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>				
<u>FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (39,707)	\$ 174,880	\$ 135,173	\$ (65,095)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	206,207	1,176,009	1,382,216	-
Deferred (outflows)/inflows related to pensions.....	(616,000)	(1,059,000)	(1,675,000)	-
Deferred (outflows)/inflows related to other postemployment benefits.....	15,472	51,814	67,286	-
Changes in assets and liabilities:				
Liens - user charges.....	(2,051)	(321)	(2,372)	-
User charges.....	(2,123)	(7,147)	(9,270)	-
Departmental and other.....	-	-	-	(75,860)
Working capital deposit.....	-	-	-	(33,100)
Warrants payable.....	31,933	(9,629)	22,304	-
Accrued payroll.....	(16,176)	(13,799)	(29,975)	-
Health claims payable.....	-	-	-	101,344
Other liabilities.....	2,091	10,810	12,901	-
Compensated absences.....	8,178	10,243	18,421	-
Net pension liability.....	542,000	1,016,000	1,558,000	-
Net other postemployment benefits.....	85,522	(80,554)	4,968	-
Total adjustments.....	255,053	1,094,426	1,349,479	(7,616)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 215,346	\$ 1,269,306	\$ 1,484,652	\$ (72,711)
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Acquisition of capital assets on account.....	\$ 89,739	\$ 219,781	\$ 309,520	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Fund	Custodial Fund
ASSETS			
Cash and cash equivalents.....	\$ 403,894	\$ 7,681	\$ 3,121,448
Investments:			
Investments in Pension Reserve Investment Trust.....	82,111,695	-	-
U.S. treasuries.....	-	313,503	-
Government sponsored enterprises.....	-	53,566	-
Corporate bonds.....	-	499,553	-
Equity securities.....	-	209,963	-
Equity mutual funds.....	1,402,225	-	-
Fixed income mutual funds.....	681,286	8,143	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	165,172	-	-
TOTAL ASSETS.....	84,764,272	1,092,409	3,121,448
LIABILITIES			
Warrants payable.....	-	-	212,850
Other liabilities.....	-	-	132,909
TOTAL LIABILITIES.....	-	-	345,759
NET POSITION			
Restricted for pensions.....	82,667,817	-	-
Restricted for other postemployment benefits.....	2,096,455	-	-
Held in trust for other purposes.....	-	1,092,409	-
Restricted for individuals, organizations, and other governments.....	-	-	2,775,689
TOTAL NET POSITION.....	\$ 84,764,272	\$ 1,092,409	\$ 2,775,689

(1) The Pension Trust Fund is as of December 31, 2022.

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:			
Contributions and fees:			
Employer contributions.....	\$ 4,318,502	\$ -	\$ -
Employer contributions for other postemployment benefit payments...	1,946,401	-	-
Member contributions.....	1,392,858	-	-
Transfers from other systems.....	63,473	-	-
3(8)c contributions from other systems.....	193,170	-	-
Workers compensation settlements.....	84,000	-	-
State COLA reimbursements.....	28,172	-	-
Member makeup payments and redeposits.....	28,775	-	-
Private donations.....	-	14,835	-
Fees collected for Mattapoisett River Valley Water District.....	-	-	2,283,426
Fees collected for Water Supply Protection Committee.....	-	-	81,944
Fees collected for SEMASS.....	-	-	267,472
Fees collected for students.....	-	-	279,840
Miscellaneous.....	-	-	850,145
Total contributions.....	8,055,351	14,835	3,762,827
Net investment income:			
Investment income.....	(10,027,859)	89,858	-
Less: investment expense.....	(429,049)	-	-
Net investment income (loss).....	(10,456,908)	89,858	-
TOTAL ADDITIONS.....	(2,401,557)	104,693	3,762,827
DEDUCTIONS:			
Administration.....	123,518	-	-
Transfers to other systems.....	315,795	-	-
3(8)c transfer to other systems.....	280,072	-	-
Retirement benefits and refunds.....	5,582,612	-	-
Other postemployment benefit payments.....	1,946,401	-	-
Educational scholarships.....	-	101,379	-
Payments to Mattapoisett River Valley Water District.....	-	-	1,981,386
Payments to Water Supply Protection Committee.....	-	-	197,000
Payments to SEMASS.....	-	-	273,181
Payments on behalf of students.....	-	-	231,898
Other.....	-	-	883,094
TOTAL DEDUCTIONS.....	8,248,398	101,379	3,566,559
NET INCREASE (DECREASE) IN NET POSITION.....	(10,649,955)	3,314	196,268
NET POSITION AT BEGINNING OF YEAR.....	95,414,227	1,089,095	2,579,421
NET POSITION AT END OF YEAR.....	\$ 84,764,272	\$ 1,092,409	\$ 2,775,689

(1) The Pension Trust Fund is as of December 31, 2022.

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Fairhaven, Massachusetts have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town of Fairhaven, Massachusetts (Town) is a municipal corporation governed by an elected Select Board.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a fiduciary fund of the primary government due to the nature and significance of the relationship between the Town and the component unit.

The Fairhaven Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, Fairhaven Housing Authority employees, and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as part of the pension and OPEB trust fund in the fiduciary fund financial statements. The System issue a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System's retirement administrator located at 40 Center Street, Fairhaven, MA 02719.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

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

Fund Financial Statements

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

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service funds and fiduciary funds are reported by fund type.

C. 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter

to pay liabilities of the current period. Expenditures generally are recorded when the related liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred, and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *Town grant* fund is used to account for all financial resources related to federal, state and local grants.

The nonmajor governmental funds consist of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds' financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for self-insured employee health and dental programs.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity by the Town for others and cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension and other employee benefit trust fund* is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *custodial fund* is used to account for assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's custodial fund accounts for fund collected on behalf of the Mattapoissett River Valley Water District, Water Supply Protection Committee, SEMASS, and students of the Fairhaven Public Schools.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st, and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered

and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Community Preservation Surcharges

Community preservation surcharges are levied annually at a rate of 3% of resident's real estate tax bills with exceptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income defined by DOR guidelines. This surcharge is due with the real estate tax on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Water and Sewer User Charges

Residential user fees are billed quarterly, and commercial fees semiannually, based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed annually and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, they are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis. Outstanding ambulance receivables greater than 120 days old are considered to be uncollectible.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred, and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Town administers loan programs that provide housing assistance to residents. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis. The estimated allowance at June 30, 2023, was not material and therefore not reported.

Special Assessments

Special assessments consist of betterments levied on properties that have benefited by the construction of the Town’s sewer infrastructure system. The betterment assessment is a one-time tax that can be paid in one lump sum or apportioned up to a maximum of twenty (20) years and is primarily designed to pay back all or a portion of the debt service associated with the project.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Lease Receivables

Right-to-use lease receivables are reported at the present value of noncancelable future lease payments and are offset by a corresponding deferred inflow of resources. Lease revenue is recognized when earned.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets received in service concession arrangements are recorded at acquisition value.

All purchases and construction costs in excess of \$20,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40 - 50
Improvements.....	20 - 40
Infrastructure.....	30 - 75
Machinery and equipment	5 - 10

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has reported deferred inflows of resources related to leases, pensions and other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements, but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has reported unavailable revenue and deferred inflows related to leases as deferred inflows of resources in the governmental funds balance sheet.

J. Interfund Receivables and Payables

During the course of operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

During the course of operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds – expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds – nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Gifts and Grants" represents restrictions placed on assets from outside parties.

"Community preservation" represents amounts raised for the purpose of ongoing community preservation activities.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Select Board has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Unavailable Revenue

Fund Financial Statements

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

N. Pensions

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

O. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds, trust funds, and internal service funds is retained within the respective fund.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws, and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The System participates in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as trustee. The fair value of the position in PRIT is the same as the value of the PRIT shares.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have formal policies for custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$34,059,981 and the bank balance totaled \$33,554,825. Of the bank balance, \$1,750,000 was covered by Federal Depository Insurance, \$18,497,839 was covered by the Depositor's Insurance Fund, \$5,786,970 was covered by an Insured Cash Sweep, \$5,637,411 was insured/collateralized and \$1,882,605 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2022, the carrying amount of deposits for the Retirement System totaled \$326,351 and the bank balance totaled \$326,351. All of the bank balance was covered by Federal Depository Insurance therefore none of the funds were exposed to custodial credit risk.

As of June 30, 2023 the Town of Fairhaven had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. treasury notes.....	\$ 3,921,905	\$ 560,087	\$ 3,361,818
Government sponsored enterprises.....	670,108	-	670,108
Corporate bonds.....	6,249,372	1,945,696	4,303,676
Total debt securities.....	10,841,385	<u>\$ 2,505,783</u>	<u>\$ 8,335,602</u>
<u>Other investments:</u>			
Equity securities.....	3,313,808		
Equity mutual funds.....	3,226,706		
Fixed income.....	1,249,332		
Money market mutual funds.....	531,804		
MMDT - Cash portfolio.....	5,462,670		
Total investments.....	<u>\$ 24,625,705</u>		

As of December 31, 2022, the Retirement System had \$82,111,695 invested in PRIT and \$64,599 in the PRIT cash fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have formal investment policies for custodial credit risk of investments. Of the Town’s investments of \$3,921,905 in government agencies, \$670,108 in government sponsored enterprises, \$6,249,372 in corporate bonds, and \$3,313,808 in equity securities, the Town has custodial credit risk exposure of \$14,155,193 because the related securities are uninsured, unregistered and held by the counterparty.

The System does not have any investments subject to custodial credit risk.

Interest Rate Risk

The Town and System have not adopted formal policies limiting investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The Town participated in MMDT, which maintains a cash portfolio with combined average maturities of approximately three months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 1.98 to 14.64 years.

Credit Risk

The Town has not adopted formal policies related to credit risk. The Town’s investments in MMDT and money market mutual funds were unrated. As of June 30, 2023, Standard & Poor’s Investor Services rated the Town’s investments as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 507,042
AA+.....	670,108	-
A+.....	-	1,618,745
A.....	-	506,857
A-.....	-	639,560
BBB+.....	-	1,237,516
BBB.....	-	1,739,652
Total.....	\$ <u>670,108</u>	\$ <u>6,249,372</u>

The System has not adopted formal policies related to credit risk and \$82,111,695 of PRIT shares were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount invested in any one issuer, but will minimize the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Town does not have a formal policy related to concentration of credit risk exposure. As of June 30, 2023, no more than 5 percent of the Town’s investments are invested in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. The System did not have any investments that were subject to concentration of credit risk.

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2023:

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 3,921,905	\$ 3,921,905	\$ -	\$ -
Government sponsored enterprises.....	670,108	670,108	-	-
Corporate bonds.....	6,249,372	-	6,249,372	-
Total debt securities.....	10,841,385	4,592,013	6,249,372	-
<u>Other investments:</u>				
Equity securities.....	3,313,808	3,313,808	-	-
Equity mutual funds.....	3,226,706	3,226,706	-	-
Fixed income.....	1,249,332	1,249,332	-	-
Money market mutual funds.....	531,804	531,804	-	-
Total other investments.....	8,321,650	8,321,650	-	-
Total investments measured at fair value.....	19,163,035	\$ 12,913,663	\$ 6,249,372	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	5,462,670			
Total investments.....	\$ 24,625,705			

U.S. government agencies, government sponsored enterprises, equity securities, equity mutual funds, fixed income mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

As of December 31, 2022, the System had \$82,111,695 invested in PRIT and \$64,599 in the PRIT cash fund. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool’s shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2023, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 571,351	\$ (58,953)	\$ 512,398
Tax liens.....	894,562	-	894,562
Community preservation fund surtax.....	14,937	-	14,937
Motor vehicle and other excise taxes.....	380,598	(169,226)	211,372
User charges.....	21,791	-	21,791
Departmental and other.....	1,856,281	(1,377,018)	479,263
Intergovernmental.....	199,433	-	199,433
Community preservation state share.....	102,996	-	102,996
Special assessments.....	1,988	-	1,988
Loans.....	480,692	-	480,692
Lease receivables.....	1,685,968	-	1,685,968
Total.....	<u>\$ 6,210,597</u>	<u>\$ (1,605,197)</u>	<u>\$ 4,605,400</u>

At June 30, 2023, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water liens - user charges.....	\$ 77,396	\$ -	\$ 77,396
Water user charges.....	182,235	-	182,235
Sewer liens - user charges.....	103,892	-	103,892
Sewer user charges.....	368,343	-	368,343
Sewer special assessments.....	343,253	-	343,253
Total.....	<u>\$ 1,075,119</u>	<u>\$ -</u>	<u>\$ 1,075,119</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of unavailable revenue reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 199,799	\$ -	\$ 199,799
Tax liens.....	894,562	-	894,562
Community preservation fund surtax.....	-	14,937	14,937
Motor vehicle and other excise taxes.....	211,372	-	211,372
User charges.....	-	21,791	21,791
Departmental and other.....	1,850	400,985	402,835
Community preservation state share.....	-	102,996	102,996
Special assessments.....	-	1,988	1,988
Loans.....	-	480,692	480,692
Tax foreclosures.....	647,027	-	647,027
Total.....	<u>\$ 1,954,610</u>	<u>\$ 1,023,389</u>	<u>\$ 2,977,999</u>

The Town has entered into lease agreements related to leased Town land. Under the current agreements, the Town is scheduled to receive lease payments through 2043. The future scheduled lease revenues as of June 30, 2023, are as follows:

Year ended June 30:	Governmental Activities		
	Lease Revenues	Interest	Total
2024.....	\$ 72,718	\$ 39,282	\$ 112,000
2025.....	70,894	41,106	112,000
2026.....	72,768	39,232	112,000
2027.....	74,687	37,313	112,000
2028.....	76,663	35,337	112,000
2029 - 2033.....	414,779	145,221	560,000
2034 - 2038.....	472,530	87,470	560,000
2039 - 2043.....	430,929	23,071	454,000
Total.....	\$ 1,685,968	\$ 448,032	\$ 2,134,000

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,179,498	\$ -	\$ -	\$ 22,179,498
Construction in progress.....	1,376,365	338,611	-	1,714,976
Total capital assets not being depreciated....	23,555,863	338,611	-	23,894,474
<u>Capital assets being depreciated:</u>				
Buildings.....	67,335,510	-	-	67,335,510
Improvements.....	16,623,019	1,559,769	-	18,182,788
Machinery and equipment.....	9,493,103	696,235	-	10,189,338
Infrastructure.....	37,366,621	234,717	-	37,601,338
Total capital assets being depreciated.....	130,818,253	2,490,721	-	133,308,974
<u>Less accumulated depreciation for:</u>				
Buildings.....	(30,096,698)	(1,651,087)	-	(31,747,785)
Improvements.....	(8,543,992)	(710,964)	-	(9,254,956)
Machinery and equipment.....	(6,619,400)	(789,264)	-	(7,408,664)
Infrastructure.....	(18,979,351)	(1,181,429)	-	(20,160,780)
Total accumulated depreciation.....	(64,239,441)	(4,332,744)	-	(68,572,185)
Total capital assets being depreciated, net.....	66,578,812	(1,842,023)	-	64,736,789
Total governmental activities capital assets, net.....	\$ 90,134,675	\$ (1,503,412)	\$ -	\$ 88,631,263

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 989,560	\$ -	\$ -	\$ 989,560
Construction in progress.....	4,183,674	2,871,604	-	7,055,278
Total capital assets not being depreciated....	5,173,234	2,871,604	-	8,044,838
<u>Capital assets being depreciated:</u>				
Buildings and system.....	45,275,324	-	-	45,275,324
Improvements other than buildings.....	23,427,254	626,766	-	24,054,020
Machinery and equipment.....	4,070,676	108,881	-	4,179,557
Total capital assets being depreciated.....	72,773,254	735,647	-	73,508,901
<u>Less accumulated depreciation for:</u>				
Buildings and system.....	(25,688,166)	(813,155)	-	(26,501,321)
Improvements other than buildings.....	(12,514,238)	(459,969)	-	(12,974,207)
Machinery and equipment.....	(3,488,681)	(109,092)	-	(3,597,773)
Total accumulated depreciation.....	(41,691,085)	(1,382,216)	-	(43,073,301)
Total capital assets being depreciated, net.....	31,082,169	(646,569)	-	30,435,600
Total business-type activities capital assets, net....	\$ 36,255,403	\$ 2,225,035	\$ -	\$ 38,480,438

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 411,546
Public safety.....	588,640
Education.....	1,919,268
Public works.....	1,273,534
Culture and recreation.....	139,756
Total depreciation expense - governmental activities.....	\$ 4,332,744
Business-Type Activities:	
Water.....	\$ 206,207
Sewer.....	1,176,009
Total depreciation expense - business-type activities.....	\$ 1,382,216

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund receivables/payables as of June 30, 2023. Interfund transfers for the year ended June 30, 2023, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 57,410	\$ 57,410
Nonmajor governmental funds.....	1,763,500	100,000	1,863,500
Total.....	\$ 1,763,500	\$ 157,410	\$ 1,920,910

- (1) Represents transfers from the general fund to the nonmajor capital projects fund to pay down BANs, and a transfer of boat excise receipts to the waterways fund.
- (2) Represents budgeted transfers to the general fund from ambulance receipts reserved and other special revenue funds, and a reallocation resources between nonmajor governmental funds.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to short-term debt activity for the year ended June 30, 2023, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
Governmental Funds:							
BAN	Fiber Optic Connectivity.....	1.05	08/11/22	\$ 135,625	\$ -	\$ (135,625)	\$ -
BAN	High School Gym Dehumidification.....	1.05	08/11/22	272,893	-	(272,893)	-
BAN	Senior Center HVAC.....	1.05	08/11/22	192,857	-	(192,857)	-
BAN	SCBAs.....	1.50	08/11/22	491,800	-	(491,800)	-
Total Governmental Funds.....				\$ 1,093,175	\$ -	\$ (1,093,175)	\$ -
Water Enterprise Fund:							
BAN	Water Meters.....	1.05	08/11/22	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
BAN	Water Meters.....	1.50	08/11/22	500,000	-	(500,000)	-
BAN	Water Meters.....	1.50	08/11/22	500,000	-	(500,000)	-
Total Water Enterprise Fund.....				2,000,000	-	(2,000,000)	-
Sewer Enterprise Fund:							
BAN	West Island Sewer.....	1.05	08/11/22	675,000	-	(675,000)	-
BAN	Sewer Treatment Plant Improvement.....	1.05	08/11/22	200,000	-	(200,000)	-
BAN	Sewer Treatment Plant Improvement.....	1.50	08/11/22	300,000	-	(300,000)	-
BAN	West Island Sewer.....	1.50	08/11/22	657,179	-	(657,179)	-
Total Sewer Enterprise Fund.....				1,832,179	-	(1,832,179)	-
Total Enterprise Fund.....				\$ 3,832,179	\$ -	\$ (3,832,179)	\$ -

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2023, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Refunding - High School.....	2025	\$ 468,000	2.0 - 5.0	\$ 91,000
Refunding - Elementary and High School.....	2027	5,595,000	2.0 - 3.0	735,000
General Obligation - Ladder Truck.....	2029	885,000	3.0 - 5.0	525,000
Refunding - Elementary School.....	2034	5,210,479	1.0 - 4.0	4,770,000
General Obligation - Fiber Optic Connectivity....	2029	110,000	4.0 - 5.0	110,000
General Obligation - SCBAs.....	2027	470,000	4.0 - 5.0	470,000
General Obligation - High School Gym.....	2049	255,000	4.0 - 5.0	255,000
General Obligation - Senior Center HVAC.....	2049	175,000	4.0 - 5.0	175,000
Total Bonds Payable.....				7,131,000
Add: Unamortized premium on bonds.....				78,829
Total Bonds Payable, net.....				<u>\$ 7,209,829</u>

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

Year	General Obligation Bonds		
	Principal	Interest	Total
2024.....	\$ 931,000	\$ 200,021	\$ 1,131,021
2025.....	925,000	163,606	1,088,606
2026.....	875,000	128,031	1,003,031
2027.....	870,000	94,181	964,181
2028.....	570,000	65,731	635,731
2029.....	565,000	48,006	613,006
2030.....	460,000	35,206	495,206
2031.....	450,000	29,641	479,641
2032.....	435,000	23,786	458,786
2033.....	420,000	17,863	437,863
2034.....	410,000	11,865	421,865
2035.....	15,000	8,500	23,500
2036.....	15,000	7,900	22,900
2037.....	15,000	7,300	22,300
2038.....	15,000	6,700	21,700
2039.....	15,000	6,100	21,100
2040.....	15,000	5,500	20,500
2041.....	15,000	4,900	19,900
2042.....	15,000	4,300	19,300
2043.....	15,000	3,700	18,700
2044.....	15,000	3,100	18,100
2045.....	15,000	2,500	17,500
2046.....	15,000	1,900	16,900
2047.....	15,000	1,300	16,300
2048.....	15,000	700	15,700
2049.....	10,000	200	10,200
Total.....	<u>\$ 7,131,000</u>	<u>\$ 882,537</u>	<u>\$ 8,013,537</u>

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
General Obligation Bonds Payable:				
Sewer Refunding - UV Disinfection.....	2025	\$ 713,000	2.0 - 5.0	\$ 135,000
Sewer Refunding - Sconticut Neck.....	2025	1,184,000	2.0 - 5.0	169,000
Sewer General Obligation Bonds of 2019.....	2039	7,405,000	3.0 - 5.0	6,305,000
Sewer Bonds of 2023 - West Island.....	2049	635,000	4.0 - 5.0	635,000
Sewer Bonds of 2023 - Sewer (1).....	2049	195,000	4.0 - 5.0	195,000
Sewer Bonds of 2023 - Sewer (2).....	2049	295,000	4.0 - 5.0	295,000
Sewer Bonds of 2023 - West Island (2).....	2049	640,000	4.0 - 5.0	640,000
Water Bonds of 2023 - Water Meters (1).....	2031	905,000	5.0	905,000
Water Bonds of 2023 - Water Meters (2).....	2032	450,000	5.0	450,000
Water Bonds of 2023 - Water Meters (3).....	2032	450,000	5.0	450,000
Total General Obligation Bonds Payable.....				<u>10,179,000</u>
Direct Borrowing Bonds Payable:				
Sewer - USDA Rural Development.....	2025	242,243	4.50	36,096
Sewer - Digester MWPAT.....	2033	716,000	2.0	396,338
Water - MCWT Boston Hill Water Tank.....	2035	884,553	2.0	480,890
Total Direct Borrowing Bonds Payable.....				<u>913,324</u>
Add: Unamortized premium on bonds.....				<u>237,179</u>
Total Bonds Payable, net.....				<u>\$ 11,329,503</u>

Debt service requirements for principal and interest for enterprise fund bonds payable in future years are as follows:

Year	General Obligation Bonds			Direct Borrowings			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2024.....	\$ 674,000	\$ 381,435	\$ 1,055,435	\$ 89,216	\$ 20,549	\$ 109,765	\$ 1,165,200
2025.....	690,000	350,750	1,040,750	90,826	21,887	112,713	1,153,463
2026.....	565,000	321,200	886,200	74,555	14,656	89,211	975,411
2027.....	580,000	299,425	879,425	76,176	13,164	89,340	968,765
2028.....	610,000	276,725	886,725	77,831	11,642	89,473	976,198
2029.....	625,000	253,100	878,100	79,522	10,086	89,608	967,708
2030.....	660,000	228,425	888,425	81,251	8,494	89,745	978,170
2031.....	695,000	202,325	897,325	83,017	6,870	89,887	987,212
2032.....	570,000	178,650	748,650	84,821	5,210	90,031	838,681
2033.....	465,000	160,338	625,338	86,664	3,514	90,178	715,516
2034.....	475,000	144,813	619,813	44,024	1,780	45,804	665,617
2035.....	490,000	128,963	618,963	45,421	900	46,321	665,284
2036.....	515,000	112,425	627,425	-	-	-	627,425
2037.....	535,000	93,975	628,975	-	-	-	628,975
2038.....	550,000	74,900	624,900	-	-	-	624,900
2039.....	570,000	55,300	625,300	-	-	-	625,300
2040.....	75,000	34,900	109,900	-	-	-	109,900
2041.....	85,000	31,700	116,700	-	-	-	116,700
2042.....	85,000	28,300	113,300	-	-	-	113,300
2043.....	85,000	24,900	109,900	-	-	-	109,900
2044.....	85,000	21,500	106,500	-	-	-	106,500
2045.....	95,000	17,900	112,900	-	-	-	112,900
2046.....	95,000	14,100	109,100	-	-	-	109,100
2047.....	95,000	10,300	105,300	-	-	-	105,300
2048.....	100,000	6,400	106,400	-	-	-	106,400
2049.....	110,000	2,200	112,200	-	-	-	112,200
Total.....	<u>\$ 10,179,000</u>	<u>\$ 3,454,949</u>	<u>\$ 13,633,949</u>	<u>\$ 913,324</u>	<u>\$ 118,752</u>	<u>\$ 1,032,076</u>	<u>\$ 14,666,025</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2023, the Town had the following authorized and unissued debt:

Purpose	Amount
Sewer - Wastewater.....	\$ 7,867,000
Sewer Rehab.....	500,000
Sewer Treatment.....	51,500,000
Sewer Main.....	3,500,000
Sewer Pump Station.....	3,750,000
Sunset Beach Sewer.....	1,000,000
Water Tank.....	589,154
Water Meter.....	1,000,000
Water Tank Painting.....	1,000,000
Water Main Replacement.....	1,100,000
Elementary School Construction.....	6,656,000
High School Repair.....	2,175,000
Total.....	\$ 80,637,154

Changes in Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term general obligation bonds payable.....	\$ 6,888,479	\$ 1,010,000	\$ (767,479)	\$ -	\$ -	\$ 7,131,000	\$ 931,000
Add: Unamortized premium on bonds.....	-	78,829	-	-	-	78,829	6,018
Total bonds payable.....	6,888,479	1,088,829	(767,479)	-	-	7,209,829	937,018
Landfill closure.....	200,000	-	-	-	(25,000)	175,000	25,000
Compensated absences.....	1,499,383	-	-	376,623	(149,938)	1,726,068	172,607
Net pension liability.....	6,458,000	-	-	16,208,000	(3,401,000)	19,265,000	-
Net other postemployment benefits liability.....	46,812,440	-	-	2,103,058	(2,241,381)	46,674,117	-
Total governmental activity long-term liabilities.....	\$ 61,858,302	\$ 1,088,829	\$ (767,479)	\$ 18,687,681	\$ (5,817,319)	\$ 75,050,014	\$ 1,134,625
Business-Type Activities:							
Long-term general obligation bonds payable.....	\$ 7,083,413	\$ 3,570,000	\$ (474,413)	\$ -	\$ -	\$ 10,179,000	\$ 673,999
Long-term direct borrowings payable.....	999,815	-	(86,491)	-	-	913,324	89,216
Add: Unamortized premium on bonds.....	-	237,179	-	-	-	237,179	19,785
Total bonds payable.....	8,083,228	3,807,179	(560,904)	-	-	11,329,503	783,000
Compensated absences.....	261,270	-	-	44,548	(26,127)	279,691	27,969
Net pension liability.....	808,000	-	-	1,976,000	(418,000)	2,366,000	-
Net other postemployment benefits liability.....	2,123,099	-	-	59,988	(55,020)	2,128,067	-
Total business-type activity long-term liabilities.....	\$ 11,275,597	\$ 3,807,179	\$ (560,904)	\$ 2,080,536	\$ (499,147)	\$ 16,103,261	\$ 810,969

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds, respectively.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose

The Town has classified its fund balances with the following hierarchy:

	General	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 2,801,705	\$ 2,801,705
Restricted for:				
Town grants.....	-	695,577	-	695,577
School grants.....	-	-	306,094	306,094
Community preservation.....	-	-	2,130,393	2,130,393
School lunch.....	-	-	682,631	682,631
Chapter 90 highway.....	-	-	188,560	188,560
Town cable.....	-	-	722,304	722,304
School cable.....	-	-	376,247	376,247
Revolving funds.....	-	-	551,998	551,998
Other special revenue funds.....	-	-	3,800,537	3,800,537
Town capital projects.....	-	-	167,074	167,074
Other permanent fund.....	-	-	497,542	497,542
Committed to:				
Ambulance stabilization	392,469	-	-	392,469
Capital stabilization.....	6,448,799	-	-	6,448,799
Special education reserve stabilization.....	452,239	-	-	452,239
Subsequent year capital budget.....	4,059,184	-	-	4,059,184
General government.....	469,204	-	-	469,204
Public safety.....	987,287	-	-	987,287
Public works.....	614,588	-	-	614,588
Culture and recreation.....	55,290	-	-	55,290
Assigned to:				
General government.....	100,735	-	-	100,735
Public safety.....	90,388	-	-	90,388
Education.....	842,615	-	-	842,615
Public works.....	107,617	-	-	107,617
Health and human services.....	11,252	-	-	11,252
Culture and recreation.....	3,613	-	-	3,613
Employee benefits.....	1,767	-	-	1,767
Unassigned.....	8,415,213	-	-	8,415,213
Total Fund Balances.....	\$ 23,052,260	\$ 695,577	\$ 12,225,085	\$ 35,972,922

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end, the balance of the General Stabilization Fund is \$3,300,458 and is reported as unassigned fund balance within the general fund. The balances of the Ambulance Stabilization Fund, Capital Stabilization Fund, and Special Education Reserve Stabilization Fund are \$392,469, 6,448,799, and \$452,239, respectively, and are reported as committed fund balance within the general fund.

NOTE 9 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1999. The Town has reflected \$175,000 as the estimate of the landfill closure liability at June 30, 2023 in the government-wide financial statements.

This amount is based on estimates of future monitoring costs. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in regulations.

NOTE 10 – RISK FINANCING

The Town is self-insured for its health and dental insurance activities. The health and dental insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Under the terms of its insurance coverage, the Town is liable for claims up to \$110,000 per individual. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR), which represent an estimate based on past historical costs and claims paid subsequent to year-end.

The liability at June 30, 2023, totaled approximately \$956,000. Changes in the reported liability since July 1, 2021, are as follows:

	Balance at		Claims		Claims		Balance at
	Beginning of		Incurred		Payments		Year-End
	Year						
2022.....	\$ 345,484	\$	7,297,408	\$	(7,303,149)	\$	339,743
2023.....	339,743		7,635,642		(7,019,217)		956,168

NOTE 11 – PENSION PLAN*Plan Descriptions*

The Town is a member of the Fairhaven Contributory Retirement System (FCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension and other employee benefit trust fund in the fiduciary fund financial statements. The System issues a publicly available financial report which may be obtained by contacting the System's administrative offices as 40 Center Street, Fairhaven, MA 02719.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiemployer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity, and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$3,864,814 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$46,983,051 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the

pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

As of the December 31, 2022, the FCRS membership consists of the following:

Active members.....	259
Inactive members.....	55
Retirees and beneficiaries currently receiving benefits.....	<u>204</u>
Total.....	<u><u>518</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the FCRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2022, was \$3,969,000, or 28.27% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution was \$3,755,000 and its actual contribution totaled \$3,819,000.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2023, were as follows:

Total pension liability.....	\$ 105,165,000
Total pension plan's fiduciary net position.....	<u>(82,667,817)</u>
Total net pension liability.....	<u><u>\$ 22,497,183</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	78.61%

At June 30, 2023, the Town reported a liability of \$21.6 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. 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 relative to the projected contributions of all participating employers. At December 31, 2022, the Town's proportion was 96.15%, which decreased from its proportion of 96.39% measured at December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the Town recognized pension expense of \$3,914,000. At June 30, 2023, the Town reported deferred outflows of resources related to pensions of \$8,156,000 and deferred inflows of resources related to pensions of \$26,000.

The balances of deferred outflows and inflows at June 30, 2023, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 2,175,000	\$ -	\$ 2,175,000
Difference between projected and actual earnings, net.....	5,193,000	-	5,193,000
Changes in assumptions.....	788,000	-	788,000
Changes in proportion and proportionate share of contributions...	-	(26,000)	(26,000)
Total deferred outflows/(inflows) of resources.....	\$ 8,156,000	\$ (26,000)	\$ 8,130,000

The Town’s net deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024.....	\$ 1,068,000
2025.....	1,508,000
2026.....	2,060,000
2027.....	<u>3,494,000</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>8,130,000</u>

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled forward to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Total payments increase 5.0% per year until FY30 with a final amortization payment in FY31.
Remaining amortization period.....	8 years from July 1, 2023.
Asset valuation method.....	Fair value.
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation.
Discount rate.....	7.00%
Inflation rate.....	2.50%
Projected salary increases.....	Select and ultimate by job group; ultimate rates of 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments.....	3% of the first \$15,000.

Mortality rates..... Pre-retirement: RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct).
 Post-retirement: RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct).
 Disabled retirees: RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (gender distinct).

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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 pension plan’s target asset allocation as of December 31, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.20%	7.10%
International equity.....	12.20%	6.90%
Emerging markets equity.....	4.70%	9.60%
Core fixed income.....	13.80%	4.70%
Value-added fixed income.....	7.00%	7.80%
Private equity.....	17.70%	10.20%
Real estate.....	11.20%	5.70%
Timberland.....	3.20%	7.00%
Hedge funds.....	8.60%	6.60%
Portfolios.....	0.40%	6.50%
Total.....	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
The Town's proportionate share of the net pension liability.....	\$ <u>32,884,000</u>	\$ <u>21,631,000</u>	\$ <u>12,077,000</u>
The System's total net pension liability.....	\$ <u>34,200,000</u>	\$ <u>22,497,000</u>	\$ <u>12,560,000</u>

Change of Assumptions

The discount rate was decreased from 7.15% in the January 1, 2020 valuation to 7.00% in the January 1, 2022 valuation.

Changes in Plan Provisions

None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Town of Fairhaven administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plans, which cover both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Funding Policy

The contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For the year ended June 30, 2023, the Town's average contribution rate was 6.91% of covered-employee payroll.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2023, the Town pre-funded future OPEB liabilities totaling \$350,000 by contributing funds to the OPEB Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the net position of the OPEB trust fund totaled \$2,096,455.

Investment policy

The Town's policy regarding the allocation of invested assets is established and may be amended by the Select Board by a majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

Plan Membership

The following tables presents the Plan's membership at June 30, 2023:

Active members.....	383
Retirees and beneficiaries.....	<u>383</u>
 Total.....	 <u><u>766</u></u>

Components of OPEB Liability

The following table presents the components of the Town's OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$ 50,898,639
Less: OPEB plan's fiduciary net position.....	<u>(2,096,455)</u>
 Net OPEB liability.....	 \$ <u><u>48,802,184</u></u>
 The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	 4.12%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023, to be in accordance with GASB Statement #74 and Statement #75:

Valuation date.....	July 1, 2022
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair value of assets as of June 30, 2023.
Investment rate of return.....	5.56%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single equivalent discount rate.....	5.43%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Pre-retirement mortality rates.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2016 for males and females.
Post-retirement mortality rates.....	General: 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. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females.
Disabled mortality rates.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments was 9.60%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

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 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2023 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large cap.....	29.50%	4.10%
Domestic Equity - Small/Mid Cap.....	13.50%	4.55%
International Equity - Developed Market...	12.75%	4.64%
International Equity - Emerging Market....	7.75%	5.45%
Domestic Fixed Income.....	27.50%	1.05%
International Fixed Income.....	6.50%	0.96%
Alternatives.....	2.00%	5.95%
Real estate.....	0.00%	6.25%
Cash.....	0.50%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the Total OPEB liability was 5.43% as of June 30, 2023, and 5.27% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town’s funding policy. Based on these assumptions, the OPEB Plan’s Fiduciary Net Position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets was applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate was applied thereafter. The Municipal Bond Rate was based on the S&P Municipal Bond 20 – Year High Grade Index, which was 4.13% as of June 30, 2023.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 5.43%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.43%) or 1-percentage-point higher (6.43%) than the current rate.

	1% Decrease (4.43%)	Current Discount Rate (5.43%)	1% Increase (6.43%)
Net OPEB liability.....	\$ 56,654,547	\$ 48,802,184	\$ 42,509,377

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate - The following table presents the net OPEB liability, calculated using the current healthcare trend rate (6.50%) as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate.

	1% Decrease (5.50%)	Current Trend (6.50%)	1% Increase (7.50%)
Net OPEB liability.....	\$ 41,827,693	\$ 48,802,184	\$ 57,647,043

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 50,508,968	\$ 1,573,429	\$ 48,935,539
Changes for the year:			
Service cost.....	1,220,574	-	1,220,574
Interest.....	2,675,518	-	2,675,518
Differences between expected and actual experience.....	(2,475,696)	-	(2,475,696)
Changes in assumptions.....	915,676	-	915,676
Net investment income.....	-	173,026	(173,026)
Employer contributions to trust.....	-	2,296,401	(2,296,401)
Benefit payments.....	(1,946,401)	(1,946,401)	-
Net change.....	389,671	523,026	(133,355)
Balances at June 30, 2023.....	\$ 50,898,639	\$ 2,096,455	\$ 48,802,184

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$3,728,238. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (4,458,851)	\$ (4,458,851)
Difference between projected and actual earnings, net.....	74,316	-	74,316
Changes in assumptions.....	7,809,480	(609,196)	7,200,284
Total deferred outflows/(inflows) of resources.....	\$ 7,883,796	\$ (5,068,047)	\$ 2,815,749

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

Year ended June 30:

2024.....	\$ 1,371,649
2025.....	972,696
2026.....	824,674
2027.....	(113,065)
2028.....	(240,205)
Total deferred outflows/(inflows) of resources.....	\$ 2,815,749

Changes of Assumptions

The discount rate was changed from 5.27% to 5.43% and the Getzen model was adopted for future increases in healthcare costs.

Changes in Plan Provisions

None.

NOTE 13 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2022)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents..... \$	390,950	\$ 12,944	\$ 403,894
Investments:			
Investments in Pension Reserve Investment Trust.....	82,111,695	-	82,111,695
Equity mutual funds.....	-	1,402,225	1,402,225
Fixed income mutual funds.....	-	681,286	681,286
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	165,172	-	165,172
	<u>82,667,817</u>	<u>2,096,455</u>	<u>84,764,272</u>
TOTAL ASSETS.....			
	<u>82,667,817</u>	<u>2,096,455</u>	<u>84,764,272</u>
NET POSITION			
Restricted for pensions.....	82,667,817	-	82,667,817
Restricted for other postemployment benefits.....	-	2,096,455	2,096,455
	<u> </u>	<u> </u>	<u> </u>
TOTAL NET POSITION..... \$	<u><u>82,667,817</u></u>	<u><u>2,096,455</u></u>	<u><u>84,764,272</u></u>

	Pension Trust Fund (as of December 31, 2022)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 3,968,502	\$ 350,000	\$ 4,318,502
Employer contributions for other postemployment benefit payments.....	-	1,946,401	1,946,401
Member contributions.....	1,392,858	-	1,392,858
Transfers from other systems.....	63,473	-	63,473
3(8)c contributions from other systems.....	193,170	-	193,170
Workers compensation settlements.....	84,000	-	84,000
State COLA reimbursements.....	28,172	-	28,172
Member makeup payments and redeposits.....	28,775	-	28,775
Total contributions.....	5,758,950	2,296,401	8,055,351
Net investment income:			
Investment income (loss).....	(10,200,885)	173,026	(10,027,859)
Less: investment expense.....	(429,049)	-	(429,049)
Net investment income (loss).....	(10,629,934)	173,026	(10,456,908)
TOTAL ADDITIONS.....	(4,870,984)	2,469,427	(2,401,557)
DEDUCTIONS:			
Administration.....	123,518	-	123,518
Transfers to other systems.....	315,795	-	315,795
3(8)c transfer to other systems.....	280,072	-	280,072
Retirement benefits and refunds.....	5,582,612	-	5,582,612
Other postemployment benefit payments.....	-	1,946,401	1,946,401
TOTAL DEDUCTIONS.....	6,301,997	1,946,401	8,248,398
NET INCREASE (DECREASE) IN NET POSITION.....	(11,172,981)	523,026	(10,649,955)
NET POSITION AT BEGINNING OF YEAR.....	93,840,798	1,573,429	95,414,227
NET POSITION AT END OF YEAR.....	\$ 82,667,817	\$ 2,096,455	\$ 84,764,272

NOTE 14 – COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$80.6 million for various projects including water and sewer infrastructure, elementary school construction and high school repairs.

The general fund has various commitments outstanding for goods and services related to encumbrances and article carryforwards totaling \$3.3 million.

NOTE 15 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to

financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected that such amounts, if any, to be immaterial. Various legal actions as well as claims, judgements and assessments are pending. Litigation and the settlement of claims, judgements and assessments is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2024, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Original Budget	Final Budget			
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 32,274,947	\$ 32,274,947	\$ 32,347,592	\$ -	\$ 72,645
Tax liens.....	-	-	-	141,531	-	141,531
Motor vehicle excise taxes.....	-	2,000,000	2,000,000	2,214,162	-	214,162
Hotel/motel tax.....	-	350,000	350,000	402,601	-	52,601
Meals tax.....	-	400,000	400,000	445,233	-	45,233
Other excise tax.....	-	385,000	385,000	460,577	-	75,577
Charges for services.....	-	240,000	240,000	180,287	-	(59,713)
Penalties and interest on taxes.....	-	300,000	300,000	264,297	-	(35,703)
Fees and rentals.....	-	728,000	728,000	837,691	-	109,691
Licenses and permits.....	-	650,000	650,000	586,621	-	(63,379)
Fines and forfeitures.....	-	7,000	7,000	6,959	-	(41)
Intergovernmental - state aid.....	-	12,414,089	12,414,089	12,481,006	-	66,917
Departmental and other.....	-	3,370,547	3,370,547	3,579,542	-	208,995
Investment income.....	-	25,000	25,000	538,405	-	513,405
Miscellaneous.....	-	90,000	90,000	187,036	-	97,036
TOTAL REVENUES.....	-	53,234,583	53,234,583	54,673,540	-	1,438,957
EXPENDITURES:						
Current:						
General government.....	323,285	5,026,854	4,643,689	3,676,991	569,939	396,759
Public safety.....	142,888	9,374,449	10,273,927	8,965,615	1,077,675	230,637
Education.....	981,482	26,390,672	26,302,802	25,377,603	842,615	82,584
Public works.....	729,725	5,274,487	5,362,326	4,284,998	722,205	355,123
Health and human services.....	13,598	1,062,708	1,086,824	912,352	11,252	163,220
Culture and recreation.....	33,041	1,365,702	1,397,972	1,241,467	58,903	97,602
Pension benefits.....	-	3,726,735	3,726,735	3,726,735	-	-
Employee benefits.....	-	6,422,041	6,469,841	6,363,230	1,767	104,844
State and county charges.....	-	724,907	724,907	672,919	-	51,988
Debt service:						
Principal.....	-	827,579	827,579	787,453	-	40,126
Interest.....	-	201,625	201,625	201,625	-	-
TOTAL EXPENDITURES.....	2,224,019	60,397,759	61,018,227	56,210,988	3,284,356	1,522,883
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,224,019)	(7,163,176)	(7,783,644)	(1,537,448)	(3,284,356)	2,961,840
OTHER FINANCING SOURCES (USES):						
Use of prior year reserves.....	2,224,019	2,224,019	2,224,019	-	-	(2,224,019)
Use of free cash.....	-	2,472,020	3,075,488	-	-	(3,075,488)
Transfers in.....	-	2,937,137	3,012,137	3,012,137	-	-
Transfers out.....	-	(470,000)	(528,000)	(548,785)	-	(20,785)
TOTAL OTHER FINANCING SOURCES (USES).....	2,224,019	7,163,176	7,783,644	2,463,352	-	(5,320,292)
NET CHANGE IN FUND BALANCE.....	-	-	-	925,904	(3,284,356)	(2,358,452)
BUDGETARY FUND BALANCE, Beginning of year.....	-	11,938,721	11,938,721	11,938,721	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 11,938,721	\$ 11,938,721	\$ 12,864,625	\$ (3,284,356)	\$ (2,358,452)

See notes to required supplementary information.

Pension Plan Schedules Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
FAIRHAVEN CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Total pension liability:				
Service cost.....	\$ 1,466,000	\$ 1,532,000	\$ 1,677,000	\$ 1,752,000
Interest.....	4,976,000	5,184,000	5,235,000	5,710,000
Changes in benefit terms.....	-	-	797,000	-
Differences between expected and actual experience.....	-	-	(678,000)	(1,458,000)
Changes in assumptions.....	-	-	3,460,000	2,664,000
Benefit payments.....	(3,841,000)	(3,810,000)	(4,087,000)	(4,373,000)
Net change in total pension liability.....	2,601,000	2,906,000	6,404,000	4,295,000
Total pension liability - beginning.....	64,658,000	67,259,000	70,165,000	76,569,000
Total pension liability - ending (a).....	\$ <u>67,259,000</u>	\$ <u>70,165,000</u>	\$ <u>76,569,000</u>	\$ <u>80,864,000</u>
Plan fiduciary net position:				
Employer contributions.....	\$ 2,651,000	\$ 2,800,000	\$ 2,981,000	\$ 3,065,000
Member contributions.....	895,000	1,062,000	787,000	1,259,000
Net investment income (loss).....	3,585,000	304,000	3,706,000	9,174,000
Administrative expenses.....	(84,000)	(86,000)	(93,000)	(94,000)
Retirement benefits and refunds.....	(3,841,000)	(3,810,000)	(4,087,000)	(4,373,000)
Other receipts.....	6,000	-	-	10,000
Net increase (decrease) in fiduciary net position.....	3,212,000	270,000	3,294,000	9,041,000
Fiduciary net position - beginning of year.....	47,562,000	50,774,000	51,044,000	54,338,000
Fiduciary net position - end of year (b).....	\$ <u>50,774,000</u>	\$ <u>51,044,000</u>	\$ <u>54,338,000</u>	\$ <u>63,379,000</u>
Net pension liability - ending (a)-(b).....	\$ <u>16,485,000</u>	\$ <u>19,121,000</u>	\$ <u>22,231,000</u>	\$ <u>17,485,000</u>
Plan fiduciary net position as a percentage of the total pension liability.....	75.49%	72.75%	70.97%	78.38%
Covered payroll.....	\$ 10,564,000	\$ 10,564,000	\$ 11,126,000	\$ 11,771,000
Net pension liability as a percentage of covered payroll.....	156.05%	181.00%	199.81%	148.54%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
\$	1,884,000	\$ 1,969,000	\$ 2,161,000	\$ 2,259,000	\$ 2,362,000
	5,827,000	6,039,000	6,441,000	6,677,000	7,065,000
	-	-	-	475,000	-
	-	2,365,000	-	2,774,000	-
	-	1,364,000	-	820,000	-
	<u>(4,752,000)</u>	<u>(4,995,000)</u>	<u>(5,281,000)</u>	<u>(5,512,000)</u>	<u>(5,641,000)</u>
	2,959,000	6,742,000	3,321,000	7,493,000	3,786,000
	<u>80,864,000</u>	<u>83,823,000</u>	<u>90,565,000</u>	<u>93,886,000</u>	<u>101,379,000</u>
\$	<u>83,823,000</u>	<u>90,565,000</u>	<u>93,886,000</u>	<u>101,379,000</u>	<u>105,165,000</u>
\$	3,213,000	\$ 3,367,000	\$ 3,534,000	\$ 3,714,000	\$ 3,969,000
	1,316,000	1,183,000	1,305,000	1,575,000	1,169,000
	(1,485,000)	9,808,000	8,447,000	15,433,000	(10,632,000)
	(101,000)	(113,000)	(114,000)	(117,000)	(124,000)
	(4,752,000)	(4,995,000)	(5,281,000)	(5,512,000)	(5,641,000)
	<u>15,000</u>	<u>2,000</u>	<u>-</u>	<u>20,000</u>	<u>86,000</u>
	(1,794,000)	9,252,000	7,891,000	15,113,000	(11,173,000)
	<u>63,379,000</u>	<u>61,585,000</u>	<u>70,837,000</u>	<u>78,728,000</u>	<u>93,841,000</u>
\$	<u>61,585,000</u>	<u>70,837,000</u>	<u>78,728,000</u>	<u>93,841,000</u>	<u>82,668,000</u>
\$	<u>22,238,000</u>	<u>19,728,000</u>	<u>15,158,000</u>	<u>7,538,000</u>	<u>22,497,000</u>
	73.47%	78.22%	83.85%	92.56%	78.61%
\$	11,771,000	\$ 13,033,000	\$ 13,033,000	\$ 14,041,000	\$ 14,041,000
	188.92%	151.37%	116.30%	53.69%	160.22%

SCHEDULE OF CONTRIBUTIONS
FAIRHAVEN CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2022.....	\$ 3,905,000	\$ (3,969,000)	\$ (64,000)	\$ 14,041,000	28.27%
December 31, 2021.....	3,691,000	(3,691,000)	-	14,041,000	26.29%
December 31, 2020.....	3,516,000	(3,516,000)	-	13,033,000	26.98%
December 31, 2019.....	3,348,000	(3,348,000)	-	13,033,000	25.69%
December 31, 2018.....	3,189,000	(3,189,000)	-	11,771,000	27.09%
December 31, 2017.....	3,037,000	(3,037,000)	-	11,771,000	25.80%
December 31, 2016.....	2,892,000	(2,952,000)	(60,000)	11,126,000	26.53%
December 31, 2015.....	2,755,000	(2,772,000)	(17,000)	10,564,000	26.24%
December 31, 2014.....	2,623,000	(2,623,000)	-	10,564,000	24.83%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
FAIRHAVEN CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2022.....	-11.44%
December 31, 2021.....	19.81%
December 31, 2020.....	12.07%
December 31, 2019.....	16.15%
December 31, 2018.....	-2.37%
December 31, 2017.....	17.15%
December 31, 2016.....	7.47%
December 31, 2015.....	0.60%
December 31, 2014.....	7.61%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Pension Plan Schedules Town

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FAIRHAVEN CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	96.15%	\$ 21,631,000	\$ 13,501,000	160.22%	78.61%
December 31, 2021.....	96.39%	7,266,000	13,534,000	53.69%	92.56%
December 31, 2020.....	96.38%	14,609,000	12,561,000	116.30%	83.85%
December 31, 2019.....	96.41%	19,020,000	12,565,000	151.37%	78.22%
December 31, 2018.....	96.49%	21,457,000	11,358,000	188.92%	73.47%
December 31, 2017.....	96.96%	16,953,000	11,413,000	148.54%	78.38%
December 31, 2016.....	96.71%	21,500,000	10,760,000	199.81%	70.97%
December 31, 2015.....	96.56%	18,463,000	10,201,000	180.99%	72.75%
December 31, 2014.....	96.46%	16,607,000	10,190,000	162.97%	75.49%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
FAIRHAVEN CONTRIBUTORY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2023.....	\$ 3,755,000	\$ (3,819,000)	\$ (64,000)	\$ 13,771,000	27.73%
June 30, 2022.....	3,558,000	(3,558,000)	-	13,040,000	27.29%
June 30, 2021.....	3,388,000	(3,388,000)	-	12,221,000	27.72%
June 30, 2020.....	3,228,000	(3,228,000)	-	12,185,000	26.49%
June 30, 2019.....	3,079,000	(3,079,000)	-	11,526,000	26.71%
June 30, 2018.....	2,947,000	(2,947,000)	-	10,591,000	27.83%
June 30, 2017.....	2,800,000	(2,860,000)	(60,000)	10,059,000	28.43%
June 30, 2016.....	2,662,000	(2,679,000)	(17,000)	9,248,000	28.97%
June 30, 2015.....	2,553,000	(2,553,000)	-	9,518,000	26.82%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 46,983,051	\$ 3,864,814	57.75%
2022.....	40,900,327	3,149,422	62.03%
2021.....	52,272,220	2,844,696	50.67%
2020.....	46,594,344	2,667,909	53.95%
2019.....	43,176,990	2,394,150	54.84%
2018.....	40,992,054	2,213,041	54.25%
2017.....	39,384,609	1,981,009	52.73%
2016.....	37,054,975	1,848,133	55.38%
2015.....	29,251,667	1,724,918	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of Town Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB Liability							
Service Cost.....	\$ 1,596,309	\$ 724,378	\$ 780,352	\$ 732,744	\$ 766,984	\$ 1,112,170	\$ 1,220,574
Interest.....	1,763,894	3,380,596	2,250,986	2,481,174	2,621,518	2,606,241	2,675,518
Differences between expected and actual experience....	-	-	(120,091)	-	(5,087,482)	-	(2,475,696)
Changes of assumptions.....	-	(18,782,732)	6,502,221	(2,222,956)	11,753,977	1,427,282	915,676
Benefit payments.....	(1,202,254)	(1,270,582)	(1,768,831)	(1,877,756)	(1,898,148)	(1,797,470)	(1,946,401)
Net change in total OPEB liability.....	2,157,949	(15,948,340)	7,644,637	(886,794)	8,156,849	3,348,223	389,671
Total OPEB liability - beginning.....	46,036,444	48,194,393	32,246,053	39,890,690	39,003,896	47,160,745	50,508,968
Total OPEB liability - ending (a).....	<u>\$ 48,194,393</u>	<u>\$ 32,246,053</u>	<u>\$ 39,890,690</u>	<u>\$ 39,003,896</u>	<u>\$ 47,160,745</u>	<u>\$ 50,508,968</u>	<u>\$ 50,898,639</u>
Plan fiduciary net position							
Employer contributions.....	\$ 100,000	\$ 150,000	\$ 200,000	\$ 300,000	\$ 300,000	\$ 200,000	\$ 350,000
Employer contributions for OPEB payments.....	1,202,254	1,270,582	1,768,831	1,877,756	1,898,148	1,797,470	1,946,401
Net investment income.....	24,778	16,779	37,589	29,286	307,180	(264,477)	173,026
Benefit payments.....	(1,202,254)	(1,270,582)	(1,768,831)	(1,877,756)	(1,898,148)	(1,797,470)	(1,946,401)
Net change in plan fiduciary net position.....	124,778	166,779	237,589	329,286	607,180	(64,477)	523,026
Plan fiduciary net position - beginning of year.....	222,294	347,072	513,851	751,440	1,080,726	1,687,906	1,623,429
Plan fiduciary net position - end of year (b).....	<u>\$ 347,072</u>	<u>\$ 513,851</u>	<u>\$ 751,440</u>	<u>\$ 1,080,726</u>	<u>\$ 1,687,906</u>	<u>\$ 1,623,429</u>	<u>\$ 2,146,455</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 47,847,321</u>	<u>\$ 31,732,202</u>	<u>\$ 39,139,250</u>	<u>\$ 37,923,170</u>	<u>\$ 45,472,839</u>	<u>\$ 48,885,539</u>	<u>\$ 48,752,184</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.72%	1.59%	1.88%	2.77%	3.58%	3.21%	4.22%
Covered-employee payroll.....	\$ 26,997,261	\$ 27,807,179	\$ 27,291,862	\$ 28,110,619	\$ 30,129,805	\$ 31,033,699	\$ 33,241,951
Net OPEB liability as a percentage of covered-employee payroll.....	177.23%	114.12%	143.41%	134.91%	150.92%	157.52%	146.66%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 3,455,945	\$ (2,296,401)	\$ 1,159,544	\$ 33,241,951	6.91%
June 30, 2022.....	3,310,419	(1,997,470)	1,312,949	31,033,699	6.44%
June 30, 2021.....	2,869,856	(2,198,148)	671,708	30,129,805	7.30%
June 30, 2020.....	3,527,717	(2,127,756)	1,399,961	28,110,619	7.57%
June 30, 2019.....	3,528,492	(1,968,831)	1,559,661	27,291,862	7.21%
June 30, 2018.....	4,327,970	(1,420,582)	2,907,388	27,807,179	5.11%
June 30, 2017.....	4,143,844	(1,302,254)	2,841,590	26,997,261	4.82%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	9.60%
June 30, 2022.....	-15.19%
June 30, 2021.....	26.21%
June 30, 2020.....	3.19%
June 30, 2019.....	5.82%
June 30, 2018.....	3.98%
June 30, 2017.....	9.14%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the “Board”). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between voted functions subsequent to the approval of the annual budget require a vote at a special Town meeting.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2023 approved budget and amounts carried forward from prior year authorized approximately \$60.9 million in appropriations and other amounts to be raised. During year 2023, the Town meeting approved subsequent increases in appropriations totaling approximately \$678,000, which were funded from use the of free cash and other available funds.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023, is presented below:

Net change in fund balance - budgetary basis.....	\$	925,904
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		779,153
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(718,925)
Net change in recording 60 day receipts.....		(106,541)
Net change in recording accrued expenditures.....		209,568
Recognition of revenue for on-behalf payments.....		3,864,814
Recognition of expenditures for on-behalf payments.....		(3,864,814)
Net change in fund balance - GAAP basis.....	\$	<u>1,089,159</u>

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers on an actuarial basis.

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules – Town**A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedules of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability, the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedules of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town on an actuarial basis.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding

situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

The discount rate was decreased from 7.15% in the January 1, 2020 valuation to 7.00% in the January 1, 2022 valuation.

E. Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plans, which cover both active and retired members.

The Other Postemployment Benefit Plan

A. Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

B. Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Significant Actuarial Methods and Assumptions

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2022
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair value of assets as of June 30, 2023.
Investment rate of return.....	5.56%, net of OPEB plan investment expense, including inflation.

Municipal Bond Rate.....	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single equivalent discount rate.....	5.43%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Pre-retirement mortality rates.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2016 for males and females.
Post-retirement mortality rates.....	General: 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. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females.
Disabled mortality rates.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females.

D. Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

E. Changes of Assumptions

The discount rate was changed from 5.27% to 5.43% and the Getzen model was adopted for future increases in healthcare costs.

F. Changes in Plan Provisions

None.