



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

***TOWN OF WINTHROP, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2023***

TOWN OF WINTHROP, MASSACHUSETTS  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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## **Independent Auditor's Report**

To the Honorable Town Council  
Town of Winthrop, 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 Winthrop, Massachusetts, as of and for the year ended June 30, 2023 (except for the Winthrop Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the Town of Winthrop, 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 Winthrop, Massachusetts, as of June 30, 2023 (except for the Winthrop Contributory Retirement System which is as of and for the year ended December 31, 2022), and the respective changes in financial position 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 Winthrop, Massachusetts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Winthrop, 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 Winthrop, 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 Winthrop, 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 Winthrop, 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 Winthrop, 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 Winthrop, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Bowers & Sullivan LLC". The signature is written in a cursive, flowing style.

March 29, 2024

# ***Management's Discussion and Analysis***

## Management's Discussion and Analysis

As management of the Town of Winthrop (the Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. We encourage readers to consider the information presented in this report in conjunction with the Town's financial statements. All amounts, unless otherwise noted, are presented in whole dollars.

The Governmental 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 and rating agencies) 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 Highlights

- The net position of the Town at the close of the most recent year was \$13.3 million.
- At the close of the current year, the Town's general fund reported an ending fund balance of \$10.5 million. Total fund balance represents 17.3% of total general fund budgetary expenditures.
- The Town's total long-term debt was \$54.7 million at year end, a net increase of \$4.8 million over the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Winthrop's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government's net position changed during the most recent 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental

activities include general government, public safety, education, public works, human services, library, and interest.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. 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 Winthrop 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. The budgetary comparison schedule is presented as required supplementary information after the notes to the basic financial statements.

**Proprietary funds.** The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund statements provide separate information for the water and sewer, skating rink, trash, harbor/waterways, recreation, and ferry, tourism and culture enterprise funds.

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

The *pension and other employee benefits trust fund* is used to account for retirement resources held in trust for members of the Winthrop Contributory Retirement System, as well as resources held in trust for future costs associated with other postemployment benefits.

The *private purpose trust fund* is used to account for resources held in trust which principle and investment income exclusively benefit individuals or private organizations.

**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.

**Financial Highlights.** The following pages provide financial highlights of the government-wide financial statements for 2023 in comparison to 2022.

## 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 \$13.3 million at the close of 2023.

Net position of \$101.1 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), 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 its 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 totaling \$2.1 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a year-end deficit of \$89.9 million. The primary reason for this deficit is the recognition of the net OPEB liability.

The governmental and business-type activities of the Town are presented on the following pages.

### Governmental Activities

The Town's liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources for governmental activities by \$17.9 million at the close of 2023.

	2023	2022
<b>Assets:</b>		
Current assets.....	\$ 21,693,931	\$ 19,703,876
Noncurrent assets (excluding capital).....	-	11,656,000
Capital assets, non depreciable.....	4,864,272	16,141,316
Capital assets, net of accumulated depreciation..	111,281,926	102,236,951
<b>Total assets.....</b>	<b>137,840,129</b>	<b>149,738,143</b>
<b>Deferred outflows of resources.....</b>	<b>16,814,081</b>	<b>17,380,312</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,016,140	4,048,365
Noncurrent liabilities (excluding debt).....	104,321,038	98,509,319
Current debt.....	2,695,107	2,530,953
Noncurrent debt.....	38,433,624	40,588,917
<b>Total liabilities.....</b>	<b>150,465,909</b>	<b>145,677,554</b>
<b>Deferred inflows of resources.....</b>	<b>22,064,180</b>	<b>38,132,805</b>
<b>Net position:</b>		
Net investment in capital assets.....	75,109,464	75,453,894
Restricted.....	2,125,569	1,887,100
Unrestricted.....	(95,110,912)	(94,032,898)
<b>Total net position.....</b>	<b>\$ (17,875,879)</b>	<b>\$ (16,691,904)</b>

	2023	2022
<b>Program Revenues:</b>		
Charges for services.....	\$ 3,333,617	\$ 2,757,648
Operating grants and contributions.....	19,497,561	17,715,675
Capital grants and contributions.....	2,037,507	2,763,698
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	36,641,282	35,540,912
Motor vehicle and boat excise taxes.....	2,217,887	2,137,157
Hotel/motel/meals tax.....	331,416	296,246
Penalties and interest on taxes.....	61,174	187,756
Grants and contributions not restricted to specific programs.....	7,950,807	7,636,031
Unrestricted investment income.....	360,703	27,388
<b>Total revenues.....</b>	<b>72,431,954</b>	<b>69,062,511</b>
<b>Expenses:</b>		
General government.....	4,363,587	4,217,815
Public safety.....	11,620,697	9,815,874
Education.....	47,078,230	42,189,874
Public works.....	5,517,226	4,520,485
Human services.....	1,324,741	1,038,722
Library.....	997,458	865,583
Interest.....	1,380,790	1,470,692
<b>Total expenses.....</b>	<b>72,282,729</b>	<b>64,119,045</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>149,225</b>	<b>4,943,466</b>
<b>Transfers.....</b>	<b>(1,333,200)</b>	<b>(1,414,259)</b>
<b>Change in net position.....</b>	<b>(1,183,975)</b>	<b>3,529,207</b>
<b>Net position, beginning of year.....</b>	<b>(16,691,904)</b>	<b>(20,221,111)</b>
<b>Net position, end of year.....</b>	<b>\$ (17,875,879)</b>	<b>\$ (16,691,904)</b>

The governmental activities net position decreased by \$1.2 million during the current year primarily due to a \$2.0 million decrease in net pension liability and related deferred outflows/inflows of resources, offset by a \$3.9 million increase in the net OPEB liability and the associated deferred outflows/inflows of resources. In addition, there was a decrease in capital grant receipts of \$726,000 compared to FY22.

Governmental expenses totaled \$72.3 million of which \$24.9 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$47.6 million, primarily coming from real estate and personal property taxes, excise taxes, and grants not restricted to specific programs.

Operating grant revenue and education expenses increased in 2023, mainly due to increased state financing for the Massachusetts Teachers' Retirement System (MTRS). Education, along with public safety and public works, expenses also increased in current year due to the change in the net OPEB liability and related deferred inflows and outflows, and general fund budgeted increases.

**Business-type Activities.** For business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.1 million at the close of 2023. The following tables summarize results over the last two years.

	2023	2022
<b>Assets:</b>		
Current assets.....	\$ 9,170,799	\$ 6,865,844
Noncurrent assets (excluding capital).....	-	986,000
Capital assets, non depreciable.....	2,260,911	13,339,492
Capital assets, net of accumulated depreciation....	37,264,315	21,468,042
<b>Total assets.....</b>	<b>48,696,025</b>	<b>42,659,378</b>
<b>Deferred outflows of resources.....</b>	<b>689,223</b>	<b>448,852</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,857,574	1,695,949
Noncurrent liabilities (excluding debt).....	2,252,653	2,067,795
Current debt.....	1,441,992	5,691,423
Noncurrent debt.....	12,131,344	5,550,666
<b>Total liabilities.....</b>	<b>17,683,563</b>	<b>15,005,833</b>
<b>Deferred inflows of resources.....</b>	<b>554,358</b>	<b>1,652,124</b>
<b>Net position:</b>		
Net investment in capital assets.....	25,951,890	23,565,445
Unrestricted.....	5,195,437	2,884,828
<b>Total net position.....</b>	<b>\$ 31,147,327</b>	<b>\$ 26,450,273</b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 13,169,475	\$ 12,338,136
Operating grants and contributions.....	282,998	229,271
Capital grants and contributions.....	981,694	1,500,416
<b>General Revenues:</b>		
Boat excise taxes.....	32,896	37,268
Unrestricted investment income.....	160,509	11,105
<b>Total revenues.....</b>	<b>14,627,572</b>	<b>14,116,196</b>
<b>Expenses:</b>		
Water and sewer.....	7,983,984	8,337,358
Skating rink.....	336,859	464,483
Trash.....	1,858,304	1,620,085
Harbor/waterways.....	396,131	384,456
Recreation.....	343,828	324,847
Ferry, tourism and culture.....	344,612	345,410
<b>Total expenses.....</b>	<b>11,263,718</b>	<b>11,476,639</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>3,363,854</b>	<b>2,639,557</b>
<b>Transfers.....</b>	<b>1,333,200</b>	<b>1,414,259</b>
<b>Change in net position.....</b>	<b>4,697,054</b>	<b>4,053,816</b>
<b>Net position, beginning of year.....</b>	<b>26,450,273</b>	<b>22,396,457</b>
<b>Net position, end of year.....</b>	<b>\$ 31,147,327</b>	<b>\$ 26,450,273</b>

Business-type net position of \$26.0 million represents the net investment in capital assets, while \$5.2 million is unrestricted. The Town's business-type activities net position increased \$4.7 million in the current year.

The water and sewer enterprise fund net position increased by \$4.2 million during 2023. This increase was primarily due to increased usage and the Town's ability to assess rates that are in line with costs. Also, the fund received \$982,000 of capital contributions in 2023.

The skating rink enterprise fund net position increased by \$50,000. This is due to the Town's ability to assess rates to cover operating costs as well as depreciation.

In 2022, the Town established the trash enterprise fund. The town began charging residents trash collection fees and collected \$981,000 in 2023. The trash enterprise fund also received \$971,000 subsidy from the general fund. Operating expenses totaled \$1.9 million, and the ending fund balance totaled \$708,000.

The harbor/waterways enterprise fund net position increased by \$30,000.

The recreation enterprise fund net position increased by \$16,000. The increase is primary due to a subsidy transfer in of funds from the general fund.

The ferry, tourism and culture enterprise fund increased by \$341,000 due to a capital contribution of \$329,000.

### **Financial Analysis of the Government's Funds**

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

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

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$15.9 million, of which \$10.5 million is related to the general fund and \$5.4 million is related to nonmajor governmental funds.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$9.1 million while total fund balance was \$10.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 15.1% of the total general fund budgetary expenditures, while total fund balance represents 17.3% of that same amount. The general fund balance increased by \$696,000 during the current year, mainly due to positive budgetary results.

The COVID grants fund had no ending fund balance as of June 30, 2023. The Town received and spent \$3.1 million of COVID-19 related grants in 2023.

The nonmajor funds experienced an increase of \$319,000 which was due to the timing differences between the receipt and expenditure of grant funds.

## **General Fund Budgetary Highlights**

The original 2023 approved budget authorized \$57.2 million in appropriations and other amounts to be raised, as well as \$1.5 million of carryforwards from the prior year. During 2023, the Town Council approved \$1.3 million of supplemental appropriations for a variety of capital purchases, as well as transfers to Town stabilization funds.

Actual revenues received exceeded anticipated amounts by \$1.7 million during 2023. Additionally, unexpended appropriations totaled \$140,000.

## **Capital Asset and Debt Administration**

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$155.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment, vehicles, infrastructure, and other improvements. The primary capital additions during the year were associated with road infrastructure, a new fire truck, as well as ongoing water main replacements.

At the end of the year the Town had total bonded debt outstanding of \$54.7 million of which \$41.1 million is related to governmental projects, and \$13.6 million is related to water and sewer enterprise fund.

Additionally, the Town issued \$7.3 million of long-term debt with the MCWT in 2023.

Please refer to notes 4, 6, and 7 to the financial statements 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 Winthrop'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 Chief Financial Officer, 1 Metcalf Square, Winthrop, Massachusetts 02152.

***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2023

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 20,144,201	\$ 3,064,727	\$ 23,208,928
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	552,142	-	552,142
Tax liens.....	449,654	-	449,654
Motor vehicle and boat excise taxes.....	313,497	192,032	505,529
User charges.....	-	4,112,254	4,112,254
Intergovernmental.....	234,437	1,801,476	2,035,913
Special assessments.....	-	310	310
Total current assets.....	<u>21,693,931</u>	<u>9,170,799</u>	<u>30,864,730</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	4,864,272	2,260,911	7,125,183
Capital assets, net of accumulated depreciation.....	<u>111,281,926</u>	<u>37,264,315</u>	<u>148,546,241</u>
Total noncurrent assets.....	<u>116,146,198</u>	<u>39,525,226</u>	<u>155,671,424</u>
<b>TOTAL ASSETS</b> .....	<u>137,840,129</u>	<u>48,696,025</u>	<u>186,536,154</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	5,574,000	461,000	6,035,000
Deferred outflows related to other postemployment benefits.....	<u>11,240,081</u>	<u>228,223</u>	<u>11,468,304</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>16,814,081</u>	<u>689,223</u>	<u>17,503,304</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	872,005	1,705,636	2,577,641
Accrued payroll.....	488,152	64,245	552,397
Accrued interest.....	364,012	87,693	451,705
Other liabilities.....	214,252	-	214,252
Unearned revenue.....	3,028,719	-	3,028,719
Compensated absences.....	49,000	-	49,000
Bonds payable.....	2,695,107	1,441,992	4,137,099
Total current liabilities.....	<u>7,711,247</u>	<u>3,299,566</u>	<u>11,010,813</u>
<b>NONCURRENT:</b>			
Compensated absences.....	444,000	-	444,000
Net pension liability.....	2,290,000	190,000	2,480,000
Net other postemployment benefits liability.....	101,587,038	2,062,653	103,649,691
Bonds payable.....	<u>38,433,624</u>	<u>12,131,344</u>	<u>50,564,968</u>
Total noncurrent liabilities.....	<u>142,754,662</u>	<u>14,383,997</u>	<u>157,138,659</u>
<b>TOTAL LIABILITIES</b> .....	<u>150,465,909</u>	<u>17,683,563</u>	<u>168,149,472</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	1,706,000	141,000	1,847,000
Deferred inflows related to other postemployment benefits.....	<u>20,358,180</u>	<u>413,358</u>	<u>20,771,538</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>22,064,180</u>	<u>554,358</u>	<u>22,618,538</u>
<b>NET POSITION</b>			
Net investment in capital assets.....	75,109,464	25,951,890	101,061,354
Restricted for:			
Permanent funds:			
Expendable.....	173,845	-	173,845
Nonexpendable.....	679,685	-	679,685
Gifts and grants.....	1,272,039	-	1,272,039
Unrestricted.....	<u>(95,110,912)</u>	<u>5,195,437</u>	<u>(89,915,475)</u>
<b>TOTAL NET POSITION</b> .....	<u>\$ (17,875,879)</u>	<u>\$ 31,147,327</u>	<u>\$ 13,271,448</u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,363,587	\$ 386,599	\$ 814,749	\$ 305,209	\$ (2,857,030)
Public safety.....	11,620,697	1,727,943	488,841	-	(9,403,913)
Education.....	47,078,230	937,447	16,872,223	-	(29,268,560)
Public works.....	5,517,226	106,035	443,780	1,691,745	(3,275,666)
Human services.....	1,324,741	114,679	861,129	-	(348,933)
Library.....	997,458	60,914	16,839	40,553	(879,152)
Interest.....	1,380,790	-	-	-	(1,380,790)
<b>Total Governmental Activities.....</b>	<b>72,282,729</b>	<b>3,333,617</b>	<b>19,497,561</b>	<b>2,037,507</b>	<b>(47,414,044)</b>
<i>Business-Type Activities:</i>					
Water & sewer.....	7,983,984	11,006,826	-	981,694	4,004,536
Skating rink.....	336,859	384,339	-	-	47,480
Trash.....	1,858,304	981,443	-	-	(876,861)
Harbor/Waterways.....	396,131	378,561	13,000	-	(4,570)
Recreation.....	343,828	331,442	-	-	(12,386)
Ferry, tourism and culture.....	344,612	86,864	269,998	-	12,250
<b>Total Business-Type Activities.....</b>	<b>11,263,718</b>	<b>13,169,475</b>	<b>282,998</b>	<b>981,694</b>	<b>3,170,449</b>
<b>Total Primary Government.....</b>	<b>\$ 83,546,447</b>	<b>\$ 16,503,092</b>	<b>\$ 19,780,559</b>	<b>\$ 3,019,201</b>	<b>\$ (44,243,595)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	(47,414,044)	3,170,449	(44,243,595)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	36,263,794	-	36,263,794
Tax liens.....	377,488	-	377,488
Motor vehicle and boat excise taxes.....	2,217,887	32,896	2,250,783
Hotel/motel tax.....	67,739	-	67,739
Meals tax.....	263,677	-	263,677
Penalties and interest on taxes.....	61,174	-	61,174
Grants and contributions not restricted to specific programs.....	7,950,807	-	7,950,807
Unrestricted investment income.....	360,703	160,509	521,212
<i>Transfers, net</i> .....	(1,333,200)	1,333,200	-
Total general revenues and transfers.....	46,230,069	1,526,605	47,756,674
Change in net position.....	(1,183,975)	4,697,054	3,513,079
<i>Net position:</i>			
Beginning of year.....	(16,691,904)	26,450,273	9,758,369
End of year..... \$	(17,875,879)	31,147,327	13,271,448

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2023

	General	COVID Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 11,464,346	\$ 2,931,781	\$ 5,748,074	\$ 20,144,201
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	552,142	-	-	552,142
Tax liens.....	449,654	-	-	449,654
Motor vehicle and other excise taxes.....	313,497	-	-	313,497
Intergovernmental.....	82,764	129,555	22,118	234,437
<b>TOTAL ASSETS.....</b>	<b>\$ 12,862,403</b>	<b>\$ 3,061,336</b>	<b>\$ 5,770,192</b>	<b>\$ 21,693,931</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 618,021	\$ 32,617	\$ 221,367	\$ 872,005
Accrued payroll.....	417,350	-	70,802	488,152
Other liabilities.....	204,252	-	10,000	214,252
Unearned revenue.....	-	3,028,719	-	3,028,719
<b>TOTAL LIABILITIES.....</b>	<b>1,239,623</b>	<b>3,061,336</b>	<b>302,169</b>	<b>4,603,128</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	1,157,295	-	22,118	1,179,413
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	679,685	679,685
Restricted.....	-	-	4,766,220	4,766,220
Committed.....	712,897	-	-	712,897
Assigned.....	638,847	-	-	638,847
Unassigned.....	9,113,741	-	-	9,113,741
<b>TOTAL FUND BALANCES.....</b>	<b>10,465,485</b>	<b>-</b>	<b>5,445,905</b>	<b>15,911,390</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 12,862,403</b>	<b>\$ 3,061,336</b>	<b>\$ 5,770,192</b>	<b>\$ 21,693,931</b>

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.....	\$	15,911,390
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		116,146,198
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		1,179,413
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.....		(5,250,099)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(364,012)
Long-term liabilities/assets are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(41,128,731)	
Net pension Liability.....	(2,290,000)	
Net other postemployment benefits liability.....	(101,587,038)	
Compensated absences.....	<u>(493,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(145,498,769)</u>
Net position of governmental activities.....	\$	<u><u>(17,875,879)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	COVID Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 36,383,271	\$ -	\$ -	\$ 36,383,271
Tax liens.....	197,262	-	-	197,262
Motor vehicle and boat excise taxes.....	2,214,547	-	-	2,214,547
Hotel/motel tax.....	67,739	-	-	67,739
Meals tax.....	263,677	-	-	263,677
Charges for services.....	-	-	1,671,991	1,671,991
Penalties and interest on taxes.....	158,259	-	-	158,259
Fees and rentals.....	445,977	-	3,512	449,489
Licenses and permits.....	570,756	-	-	570,756
Fines and forfeitures.....	392,922	-	-	392,922
Intergovernmental - Teachers Retirement.....	4,144,277	-	-	4,144,277
Intergovernmental - other.....	16,169,811	3,073,878	5,606,555	24,850,244
Departmental and other.....	157,751	-	516,842	674,593
Contributions and donations.....	-	-	64,133	64,133
Investment income.....	357,941	-	2,762	360,703
<b>TOTAL REVENUES.....</b>	<b>61,524,190</b>	<b>3,073,878</b>	<b>7,865,795</b>	<b>72,463,863</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	2,330,911	218,156	513,657	3,062,724
Public safety.....	8,129,427	-	1,093,900	9,223,327
Education.....	24,523,672	1,525,890	4,022,303	30,071,865
Public works.....	3,166,605	1,235,718	981,136	5,383,459
Human services.....	460,648	94,114	569,131	1,123,893
Library.....	585,577	-	302,325	887,902
Pension benefits.....	3,463,223	-	-	3,463,223
Pension benefits - Teachers Retirement.....	4,144,277	-	-	4,144,277
Employee benefits.....	7,248,110	-	-	7,248,110
State and county charges.....	1,071,577	-	-	1,071,577
Capital outlay.....	1,366,188	-	-	1,366,188
Debt service:				
Principal.....	2,463,651	-	-	2,463,651
Interest.....	1,549,600	-	-	1,549,600
<b>TOTAL EXPENDITURES.....</b>	<b>60,503,466</b>	<b>3,073,878</b>	<b>7,482,452</b>	<b>71,059,796</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,020,724</b>	<b>-</b>	<b>383,343</b>	<b>1,404,067</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital financing.....	614,996	-	-	614,996
Transfers in.....	108,426	-	43,800	152,226
Transfers out.....	(1,048,000)	-	(108,426)	(1,156,426)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(324,578)</b>	<b>-</b>	<b>(64,626)</b>	<b>(389,204)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>696,146</b>	<b>-</b>	<b>318,717</b>	<b>1,014,863</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>9,769,339</b>	<b>-</b>	<b>5,127,188</b>	<b>14,896,527</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 10,465,485</b>	<b>\$ -</b>	<b>\$ 5,445,905</b>	<b>\$ 15,911,390</b>

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.....		\$ 1,014,863
<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.....	2,269,396	
Depreciation expense.....	<u>(4,501,465)</u>	
Net effect of reporting capital assets.....		(2,232,069)
<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>		
		(31,909)
<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>		
Capital lease financing.....	(614,996)	
Debt service principal payments.....	<u>2,463,651</u>	
Net effect of reporting long-term debt.....		1,848,655
<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.....	(31,000)	
Net change in accrued interest on long-term debt.....	26,326	
Net amortization of premium from issuance of bonds.....	142,484	
Net change in deferred outflow/(inflow) of resources related to pensions.....	15,925,000	
Net change in net pension liability/(asset).....	(13,946,000)	
Net change in deferred outflow/(inflow) of resources related to OPEB.....	(422,606)	
Net change in net other postemployment benefits liability.....	<u>(3,477,719)</u>	
Net effect of recording long-term liabilities.....		<u>(1,783,515)</u>
Change in net position of governmental activities.....		<u>\$ (1,183,975)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-type Activities - Enterprise Funds						
	Water and Sewer	Skating Rink	Trash	Harbor/ Waterways	Recreation	Ferry, Tourism and Culture	Total
<b>ASSETS</b>							
<b>CURRENT:</b>							
Cash and cash equivalents.....	\$ 1,774,571	\$ 158,487	\$ 778,655	\$ 219,646	\$ 62,795	\$ 70,573	\$ 3,064,727
Receivables, net of allowance for uncollectibles:							
Boat excise tax.....	-	-	-	192,032	-	-	192,032
User charges.....	3,884,843	-	227,411	-	-	-	4,112,254
Intergovernmental - other.....	1,681,476	-	-	-	-	120,000	1,801,476
Special assessments.....	310	-	-	-	-	-	310
Total current assets.....	<u>7,341,200</u>	<u>158,487</u>	<u>1,006,066</u>	<u>411,678</u>	<u>62,795</u>	<u>190,573</u>	<u>9,170,799</u>
<b>NONCURRENT:</b>							
Capital assets, non depreciable.....	2,260,911	-	-	-	-	-	2,260,911
Capital assets, net of accumulated depreciation.....	31,632,371	1,310,716	-	3,401,538	357,244	562,446	37,264,315
Total noncurrent assets.....	<u>33,893,282</u>	<u>1,310,716</u>	<u>-</u>	<u>3,401,538</u>	<u>357,244</u>	<u>562,446</u>	<u>39,525,226</u>
<b>TOTAL ASSETS.....</b>	<u>41,234,482</u>	<u>1,469,203</u>	<u>1,006,066</u>	<u>3,813,216</u>	<u>420,039</u>	<u>753,019</u>	<u>48,696,025</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows related to pensions.....	322,000	55,000	-	-	84,000	-	461,000
Deferred outflows related to other postemployment benefits.....	144,950	35,594	981	-	46,698	-	228,223
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<u>466,950</u>	<u>90,594</u>	<u>981</u>	<u>-</u>	<u>130,698</u>	<u>-</u>	<u>689,223</u>
<b>LIABILITIES</b>							
<b>CURRENT:</b>							
Warrants payable.....	1,393,456	5,217	285,254	5,193	1,530	14,986	1,705,636
Accrued payroll.....	31,489	3,849	2,805	6,392	7,741	11,969	64,245
Accrued interest.....	87,693	-	-	-	-	-	87,693
Bonds payable.....	1,441,992	-	-	-	-	-	1,441,992
Total current liabilities.....	<u>2,954,630</u>	<u>9,066</u>	<u>288,059</u>	<u>11,585</u>	<u>9,271</u>	<u>26,955</u>	<u>3,299,566</u>
<b>NONCURRENT:</b>							
Net pension liability.....	133,000	23,000	-	-	34,000	-	190,000
Net other postemployment benefits liability.....	1,310,047	321,694	8,863	-	422,049	-	2,062,653
Bonds payable.....	12,131,344	-	-	-	-	-	12,131,344
Total noncurrent liabilities.....	<u>13,574,391</u>	<u>344,694</u>	<u>8,863</u>	<u>-</u>	<u>456,049</u>	<u>-</u>	<u>14,383,997</u>
<b>TOTAL LIABILITIES.....</b>	<u>16,529,021</u>	<u>353,760</u>	<u>296,922</u>	<u>11,585</u>	<u>465,320</u>	<u>26,955</u>	<u>17,683,563</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows related to pensions.....	98,000	17,000	-	-	26,000	-	141,000
Deferred inflows related to other postemployment benefits.....	262,535	64,468	1,776	-	84,579	-	413,358
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u>360,535</u>	<u>81,468</u>	<u>1,776</u>	<u>-</u>	<u>110,579</u>	<u>-</u>	<u>554,358</u>
<b>NET POSITION</b>							
Net investment in capital assets.....	20,319,946	1,310,716	-	3,401,538	357,244	562,446	25,951,890
Unrestricted.....	4,491,930	(186,147)	708,349	400,093	(382,406)	163,618	5,195,437
<b>TOTAL NET POSITION.....</b>	<u>\$ 24,811,876</u>	<u>\$ 1,124,569</u>	<u>\$ 708,349</u>	<u>\$ 3,801,631</u>	<u>\$ (25,162)</u>	<u>\$ 726,064</u>	<u>\$ 31,147,327</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							
	Water and Sewer	Skating Rink	Trash	Harbor/ Waterways	Recreation	Ferry, Tourism and Culture	Total
<b>OPERATING REVENUES:</b>							
Charges for services.....	\$ 11,006,826	\$ 384,339	\$ 981,443	\$ 378,561	\$ 331,442	\$ 86,864	\$ 13,169,475
Boat excise revenue.....	-	-	-	32,896	-	-	32,896
Intergovernmental.....	-	-	-	13,000	-	269,998	282,998
<b>TOTAL OPERATING REVENUES</b> .....	<b>11,006,826</b>	<b>384,339</b>	<b>981,443</b>	<b>424,457</b>	<b>331,442</b>	<b>356,862</b>	<b>13,485,369</b>
<b>OPERATING EXPENSES:</b>							
Cost of services and administration.....	1,328,816	279,631	1,858,304	232,535	331,702	228,204	4,259,192
MWRA assessment.....	5,889,100	-	-	-	-	-	5,889,100
Depreciation.....	669,242	57,228	-	163,596	12,126	116,408	1,018,600
<b>TOTAL OPERATING EXPENSES</b> .....	<b>7,887,158</b>	<b>336,859</b>	<b>1,858,304</b>	<b>396,131</b>	<b>343,828</b>	<b>344,612</b>	<b>11,166,892</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>3,119,668</b>	<b>47,480</b>	<b>(876,861)</b>	<b>28,326</b>	<b>(12,386)</b>	<b>12,250</b>	<b>2,318,477</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income.....	160,509	-	-	-	-	-	160,509
Interest expense.....	(96,826)	-	-	-	-	-	(96,826)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>63,683</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,683</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b> .....	<b>3,183,351</b>	<b>47,480</b>	<b>(876,861)</b>	<b>28,326</b>	<b>(12,386)</b>	<b>12,250</b>	<b>2,382,160</b>
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>981,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>329,000</b>	<b>1,310,694</b>
<b>TRANSFERS:</b>							
Transfers in.....	-	2,500	971,400	1,800	28,500	-	1,004,200
<b>CHANGE IN NET POSITION</b> .....	<b>4,165,045</b>	<b>49,980</b>	<b>94,539</b>	<b>30,126</b>	<b>16,114</b>	<b>341,250</b>	<b>4,697,054</b>
<b>NET POSITION AT BEGINNING OF YEAR</b> .....	<b>20,646,831</b>	<b>1,074,589</b>	<b>613,810</b>	<b>3,771,505</b>	<b>(41,276)</b>	<b>384,814</b>	<b>26,450,273</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 24,811,876</b>	<b>\$ 1,124,569</b>	<b>\$ 708,349</b>	<b>\$ 3,801,631</b>	<b>\$ (25,162)</b>	<b>\$ 726,064</b>	<b>\$ 31,147,327</b>

See notes to basic financial statements.

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

Business-type Activities - Enterprise Funds

	Water and Sewer	Skating Rink	Trash	Harbor/ Waterways	Recreation	Ferry, Tourism and Culture	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and users.....	\$ 10,722,088	\$ 384,339	\$ 837,751	\$ 263,122	\$ 331,442	\$ 23,445	\$ 12,562,187
Receipts from other governments.....	-	-	-	13,000	-	269,998	282,998
Payments to vendors.....	(7,236,630)	(175,762)	(1,613,118)	(88,868)	(191,041)	(180,519)	(9,485,938)
Payments to employees.....	(849,696)	(126,428)	(70,796)	(145,005)	(186,040)	(42,351)	(1,420,316)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>2,635,762</b>	<b>82,149</b>	<b>(846,163)</b>	<b>42,249</b>	<b>(45,639)</b>	<b>70,573</b>	<b>1,938,931</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers in.....	-	2,500	971,400	1,800	28,500	-	1,004,200
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Proceeds from the issuance of bonds and notes.....	1,849,331	-	-	-	-	-	1,849,331
Capital contributions.....	981,694	-	-	-	-	-	981,694
Acquisition and construction of capital assets.....	(4,645,359)	(20,578)	-	(74,773)	-	-	(4,740,710)
Principal payments on bonds and notes.....	(1,199,560)	-	-	-	-	-	(1,199,560)
Interest expense.....	(11,022)	-	-	-	-	-	(11,022)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(3,024,916)</b>	<b>(20,578)</b>	<b>-</b>	<b>(74,773)</b>	<b>-</b>	<b>-</b>	<b>(3,120,267)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Investment income.....	160,509	-	-	-	-	-	160,509
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(228,645)</b>	<b>64,071</b>	<b>125,237</b>	<b>(30,724)</b>	<b>(17,139)</b>	<b>70,573</b>	<b>(16,627)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>2,003,216</b>	<b>94,416</b>	<b>653,418</b>	<b>250,370</b>	<b>79,934</b>	<b>-</b>	<b>3,081,354</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,774,571</b>	<b>\$ 158,487</b>	<b>\$ 778,655</b>	<b>\$ 219,646</b>	<b>\$ 62,795</b>	<b>\$ 70,573</b>	<b>\$ 3,064,727</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>							
Operating income (loss).....	\$ 3,119,688	\$ 47,480	\$ (876,861)	\$ 28,326	\$ (12,386)	\$ 12,250	\$ 2,318,477
Adjustments to reconcile operating income to net cash from operating activities:							
Depreciation.....	669,242	57,228	-	163,596	12,126	116,408	1,018,600
Deferred (outflows)/inflows related to pensions.....	(941,000)	(158,000)	-	-	(241,000)	-	(1,340,000)
Deferred (outflows)/inflows related to OPEB.....	1,443	657	795	-	(1,032)	-	1,863
User charges.....	(284,738)	-	(143,692)	-	-	-	(428,430)
Boat excise receivable.....	-	-	-	(148,335)	-	-	(148,335)
Intergovernmental.....	-	-	-	-	-	(60,000)	(60,000)
Warrants payable.....	(759,774)	(7,142)	164,423	3,321	1,204	(3,179)	(601,147)
Accrued payroll.....	4,268	588	309	(4,659)	1,445	8,513	10,464
Due to other funds.....	-	-	-	-	-	(3,419)	(3,419)
Net pension liability/(asset).....	827,000	138,000	-	-	211,000	-	1,176,000
Net OPEB liability.....	(347)	3,338	8,863	-	(16,996)	-	(5,142)
Total adjustments.....	(483,906)	34,669	30,698	13,923	(33,253)	58,323	(379,546)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 2,635,762</b>	<b>\$ 82,149</b>	<b>\$ (846,163)</b>	<b>\$ 42,249</b>	<b>\$ (45,639)</b>	<b>\$ 70,573</b>	<b>\$ 1,938,931</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>							
Acquisition of capital assets on account.....	\$ 666,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 666,582
Contribution of capital assets.....	-	-	-	-	-	329,000	329,000
Intergovernmental receivable from MCWT.....	(1,681,476)	-	-	-	-	-	(1,681,476)
Permanent financing of MCWT bonds - proceeds.....	4,491,863	-	-	-	-	-	4,491,863
Permanent financing of MCWT notes - payment.....	(4,491,863)	-	-	-	-	-	(4,491,863)
Forgiveness of MCWT related debt.....	513,906	-	-	-	-	-	513,906

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 3,236,297	\$ 834,277
Investments:		
Pension Reserve Investment Trust.....	91,053,177	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	61,574	-
<b>TOTAL ASSETS</b> .....	<b>94,351,048</b>	<b>834,277</b>
<b>LIABILITIES</b>		
Warrants payable.....	4,603	101,958
<b>NET POSITION</b>		
Restricted for pensions.....	93,951,451	-
Restricted for other postemployment benefits.....	394,994	-
Held in trust for other purposes.....	-	732,319
<b>TOTAL NET POSITION</b> .....	<b>\$ 94,346,445</b>	<b>\$ 732,319</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Pension Trust Fund (as of December 31, 2022)	Other Postemployment Benefit Trust Fund	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund
<b>ADDITIONS:</b>				
Contributions:				
Employer contributions.....	\$ 3,948,325	\$ 50,000	\$ 3,998,325	\$ -
Employer contributions for other postemployment benefit payments....	-	3,030,965	3,030,965	-
Employee contributions.....	1,420,064	-	1,420,064	-
Employee contributions - transfers from other systems.....	188,007	-	188,007	-
3(8)c contributions from other systems.....	121,704	-	121,704	-
Member makeup payments and redeposits.....	55,756	-	55,756	-
Private donations.....	70,620	-	70,620	109,234
<b>Total contributions.....</b>	<b>5,804,476</b>	<b>3,080,965</b>	<b>8,885,441</b>	<b>109,234</b>
Net investment income:				
Investment income (loss).....	(11,432,869)	707	(11,432,162)	1,435
Less: investment expense.....	(481,052)	-	(481,052)	-
<b>Net investment income (loss).....</b>	<b>(11,913,921)</b>	<b>707</b>	<b>(11,913,214)</b>	<b>1,435</b>
<b>TOTAL ADDITIONS.....</b>	<b>(6,109,445)</b>	<b>3,081,672</b>	<b>(3,027,773)</b>	<b>110,669</b>
<b>DEDUCTIONS:</b>				
Administration.....	179,893	-	179,893	-
Transfers to other systems.....	194,060	-	194,060	-
3(8)c transfer to other systems.....	438,273	-	438,273	-
Retirement benefits and refunds.....	5,312,379	-	5,312,379	-
Other postemployment benefit payments.....	-	3,030,965	3,030,965	-
Educational scholarships.....	-	-	-	187,130
<b>TOTAL DEDUCTIONS.....</b>	<b>6,124,605</b>	<b>3,030,965</b>	<b>9,155,570</b>	<b>187,130</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>(12,234,050)</b>	<b>50,707</b>	<b>(12,183,343)</b>	<b>(76,461)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>106,185,501</b>	<b>344,287</b>	<b>106,529,788</b>	<b>808,780</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 93,951,451</b>	<b>\$ 394,994</b>	<b>\$ 94,346,445</b>	<b>\$ 732,319</b>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Winthrop, Massachusetts (Town) 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 is a municipal corporation that is governed by an elected Town Council. As required by GAAP, these basic financial statements present the government and its component units, entities for which the Town is considered to be financially accountable.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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 relationship between the Town and the component unit.

The Winthrop Contributory Retirement System (the System) was established to provide retirement benefits to Town employees and their beneficiaries. The System is governed by a five-member board comprised of the CFO of the Town (ex-officio), two members elected by the System's participants, one member appointed by the Town Council and one member appointed by the other board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited 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 located at 1 Metcalf Square, Winthrop, Massachusetts, 02152.

***Joint Ventures***

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town has entered into a joint venture with the Cities of Woburn, Chelsea, Malden, and Revere and the Towns of Melrose, North Reading, Saugus, Stoneham, Wakefield and Winchester to pool resources and share the costs, risks and rewards of providing vocational education through the Northeast Metropolitan Regional Vocational School District (NMRS). The Town's assessment for 2023 was \$958,266. Stand-alone financial statements for the year ended June 30, 2023, are available at Northeast Metropolitan Regional Vocational School District, 100 Hemlock Road, Wakefield, Massachusetts 01880.

The Town is a member of the Metro North Regional Emergency Communications Center that provides for the operations and maintenance of a regional public safety communications and dispatch center. The members share in the operations of the Center and each member is responsible for its proportionate share of the operational and capital cost of the Center, which are paid in the form of assessments. The Town does not have an equity interest in the Center and the 2023 assessment was \$356,409. The Center does not issue a publicly available financial report.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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. Nonmajor 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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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 net 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 are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, 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 *COVID grants fund* is used to account for and report the proceeds of COVID-19 related grants that are restricted for expenditures related to the COVID-19 pandemic.

The nonmajor governmental funds consist of 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital project.

The *capital projects fund* is used to account for financial 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 nonoperating revenues and expenses.

The water & sewer, skating rink, trash, harbor/waterways, recreation, and ferry, tourism and culture enterprise funds are utilized to account for user fees/charges collected to finance costs associated with the respective activities.

**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 for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension and other employee benefits trust fund* is used to account for retirement resources held in trust for members of the Winthrop Contributory Retirement System, as well as resources held in trust for future costs associated with other postemployment benefits.

The *private purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### 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 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate tax liens are processed by the last day in September following the last billing cycle on delinquent properties. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed six months after the close of the valuation 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 of uncollectibles is estimated based on historical trends and specific account analysis.

**Motor Vehicle and Boat 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.

**Water and Sewer and Trash Fees**

User fees are levied quarterly 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 in December of every year 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. Trash fees are assessed each year for each resident that has a Town barrel.

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

**Departmental and Other**

Departmental and other receivables consist of receivables related to the System and are recorded as receivables in the year accrued.

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

**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.

**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, land and other improvements, buildings, 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 are recorded at the estimated fair market value at the date of donation.

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:

Capital Asset Type	Estimated Useful Life (in years)
Buildings and improvements.....	20-40
Machinery and equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	20-50

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 assets 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 OPEB 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 assets 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 pensions and OPEB 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 recorded unavailable revenue as deferred inflows of resources in the governmental fund balance sheet.

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.

#### J. Interfund Receivables and Payables

During the course of its 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 its 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.

Net position is reported as restricted when amounts that 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 allows 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 such as state and federal grants.

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 town meeting. Town meeting can, by adoption of a Town Council Meeting warrant article, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“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 Town’s Chief Financial Officer is authorized to assign fund balance. Assignments generally only exist temporarily. Additional action does not 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.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

### M. 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 net 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.

### 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 Winthrop 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. 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 is voluntarily assigned and transferred to the general fund.

### P. 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.

## Q. 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.

## R. 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 (the 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 Retirement System participates, as a Participating member, 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 the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 1.98 to 14.64 years.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months.

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. At year-end, the carrying amount of deposits totaled \$14,686,293 and the bank balance totaled \$15,009,547. Of the bank balance, \$500,000 was covered by Federal Depository Insurance, \$310,854 was collateralized and \$14,198,693 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Town has not adopted a formal investment policy related to custodial credit risk of deposits.

The Town maintains a policy that addresses the custodial credit risk of deposits. The Town Treasurer performs a quarterly analysis, using a commercially available bank rating service, of the performance of banking institutions that have custody of Town deposits. The Town will only utilize banks that maintain the highest possible performance rating; however, additional factors such as yield, liquidity and safety of principle may cause the Town to deposit funds with institutions that have not achieved the highest possible performance rating. In those instances, the Town Treasurer will obtain appropriate account collateralization to ensure the safety of Town funds. In lieu of obtaining account collateralization, the Town Treasurer may opt to move Town deposits to an institution that has achieved the highest possible performance rating.

At December 31, 2022, the carrying amount of deposits for the System totaled \$2,841,303 and the bank balance totaled \$2,844,424 all of which was covered by Federal Depository Insurance.

Investments

As of June 30, 2023, the Town had \$9,751,906 invested in MMDT.

As of December 31, 2022, the System had the \$91,053,177 invested in the PRIT 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.

Neither the Town nor the System is subject to custodial credit risk exposure for investments at year end.

The Town has not adopted a formal investment policy related to custodial credit risk for investments.

The System has not adopted a formal investment policy related to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for most investment types; however, at June 30, 2023, the Town did not have any investments that were subject to interest rate risk.

The System does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. However, when managing assets the System at all times must be in accordance with the provisions of the Public Employee Retirement Administration Commission (PERAC), the Employee Retirement Income Security Act (ERISA), and the Department of Labor regulations.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations.

The Town does not have a formal investment policy regarding credit risk. The Town's investment is MMDT is unrated.

The System has not adopted a formal policy related to credit risk. At December 31, 2022 the System does not have any investments that are subject to credit risk.

Concentration of Credit Risk

The Town has not adopted a policy on the amount that may be invested in any one issuer.

The System has not adopted a formal policy related to the amount that may be invested in any one issuer.

Fair Value Measurement

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 narrative format for the fair value disclosure.

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.

As of June 30, 2023, the Town had a balance in the MMDT cash portfolio of \$9,751,906 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.

At December 31, 2022, the System's investments in PRIT totaled \$91,053,177 PRIT investments are valued using the net asset value (NAV) 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.....	\$ 552,142	\$ -	\$ 552,142
Tax liens.....	449,654	-	449,654
Motor vehicle and boat excise taxes.....	493,317	(179,820)	313,497
Intergovernmental.....	234,437	-	234,437
 Total.....	 \$ <u>1,729,550</u>	 \$ <u>(179,820)</u>	 \$ <u>1,549,730</u>

The System had departmental receivables of \$61,574 as of June 30, 2023.

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer.....	\$ 3,885,153	\$ -	\$ 3,885,153
Water and sewer intergovernmental - other....	1,681,476	-	1,681,476
Ferry, tourism, & culture - other.....	120,000	-	120,000
Trash user charges.....	227,411	-	227,411
Harbor/Waterways.....	192,032	-	192,032
 Total.....	 \$ <u>6,106,072</u>	 \$ <u>-</u>	 \$ <u>6,106,072</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.....	\$ 394,144	\$ -	\$ 394,144
Tax liens.....	449,654	-	449,654
Motor vehicle and boat excise taxes.....	313,497	-	313,497
Intergovernmental.....	-	22,118	22,118
 Total.....	 \$ <u>1,157,295</u>	 \$ <u>22,118</u>	 \$ <u>1,179,413</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,694,967	\$ -	\$ -	\$ 4,694,967
Construction in progress.....	11,446,349	169,305	(11,446,349)	169,305
Total capital assets not being depreciated....	<u>16,141,316</u>	<u>169,305</u>	<u>(11,446,349)</u>	<u>4,864,272</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	119,864,721	167,141	-	120,031,862
Machinery and equipment.....	2,758,126	125,768	-	2,883,894
Vehicles.....	5,202,157	614,996	-	5,817,153
Infrastructure.....	24,754,159	12,638,535	-	37,392,694
Total capital assets being depreciated.....	<u>152,579,163</u>	<u>13,546,440</u>	<u>-</u>	<u>166,125,603</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(33,165,562)	(3,255,483)	-	(36,421,045)
Machinery and equipment.....	(1,791,254)	(311,757)	-	(2,103,011)
Vehicles.....	(3,689,565)	(467,597)	-	(4,157,162)
Infrastructure.....	(11,695,831)	(466,628)	-	(12,162,459)
Total accumulated depreciation.....	<u>(50,342,212)</u>	<u>(4,501,465)</u>	<u>-</u>	<u>(54,843,677)</u>
Total capital assets being depreciated, net.....	<u>102,236,951</u>	<u>9,044,975</u>	<u>-</u>	<u>111,281,926</u>
Total governmental activities capital assets, net.....	<u>\$ 118,378,267</u>	<u>\$ 9,214,280</u>	<u>\$ (11,446,349)</u>	<u>\$ 116,146,198</u>
<b>Water and Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 50,882	\$ -	\$ -	\$ 50,882
Construction in progress.....	13,288,610	2,189,451	(13,268,032)	2,210,029
Total capital assets not being depreciated....	<u>13,339,492</u>	<u>2,189,451</u>	<u>(13,268,032)</u>	<u>2,260,911</u>
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	1,316,797	-	-	1,316,797
Vehicles.....	300,592	-	-	300,592
Infrastructure.....	20,261,879	16,390,522	-	36,652,401
Total capital assets being depreciated.....	<u>21,879,268</u>	<u>16,390,522</u>	<u>-</u>	<u>38,269,790</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(828,131)	(126,428)	-	(954,559)
Vehicles.....	(253,435)	(31,437)	-	(284,872)
Infrastructure.....	(4,886,611)	(511,377)	-	(5,397,988)
Total accumulated depreciation.....	<u>(5,968,177)</u>	<u>(669,242)</u>	<u>-</u>	<u>(6,637,419)</u>
Total capital assets being depreciated, net.....	<u>15,911,091</u>	<u>15,721,280</u>	<u>-</u>	<u>31,632,371</u>
Total water and sewer activities capital assets, net.	<u>\$ 29,250,583</u>	<u>\$ 17,910,731</u>	<u>\$ (13,268,032)</u>	<u>\$ 33,893,282</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Skating Rink:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 2,524,483	\$ 20,578	\$ -	\$ 2,545,061
Machinery and equipment.....	127,838	-	-	127,838
<b>Total capital assets being depreciated.....</b>	<b>2,652,321</b>	<b>20,578</b>	<b>-</b>	<b>2,672,899</b>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(1,209,687)	(49,974)	-	(1,259,661)
Machinery and equipment.....	(95,268)	(7,254)	-	(102,522)
<b>Total accumulated depreciation.....</b>	<b>(1,304,955)</b>	<b>(57,228)</b>	<b>-</b>	<b>(1,362,183)</b>
<b>Total skating rink activities capital assets, net....</b>	<b>\$ 1,347,366</b>	<b>\$ (36,650)</b>	<b>\$ -</b>	<b>\$ 1,310,716</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Harbor/Waterways:</b>				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 709,952	\$ -	\$ -	\$ 709,952
Machinery and equipment.....	165,733	-	-	165,733
Vehicles.....	297,409	39,673	-	337,082
Infrastructure.....	4,119,684	35,100	-	4,154,784
<b>Total capital assets being depreciated.....</b>	<b>5,292,778</b>	<b>74,773</b>	<b>-</b>	<b>5,367,551</b>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(186,164)	(17,749)	-	(203,913)
Machinery and equipment.....	(93,204)	(13,937)	-	(107,141)
Vehicles.....	(228,865)	(37,675)	-	(266,540)
Infrastructure.....	(1,294,184)	(94,235)	-	(1,388,419)
<b>Total accumulated depreciation.....</b>	<b>(1,802,417)</b>	<b>(163,596)</b>	<b>-</b>	<b>(1,966,013)</b>
<b>Total harbor/waterways activities capital assets, net....</b>	<b>\$ 3,490,361</b>	<b>\$ (88,823)</b>	<b>\$ -</b>	<b>\$ 3,401,538</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Recreation:</b>				
<u>Capital assets being depreciated:</u>				
Other improvements.....	\$ 558,622	\$ -	\$ -	\$ 558,622
Vehicles.....	23,689	-	-	23,689
<b>Total capital assets being depreciated.....</b>	<b>582,311</b>	<b>-</b>	<b>-</b>	<b>582,311</b>
<u>Less accumulated depreciation for:</u>				
Other improvements.....	(189,252)	(12,126)	-	(201,378)
Vehicles.....	(23,689)	-	-	(23,689)
<b>Total accumulated depreciation.....</b>	<b>(212,941)</b>	<b>(12,126)</b>	<b>-</b>	<b>(225,067)</b>
<b>Total recreation activities capital assets, net.....</b>	<b>\$ 369,370</b>	<b>\$ (12,126)</b>	<b>\$ -</b>	<b>\$ 357,244</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Ferry, Tourism and Culture:</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 999,583	\$ 329,000	\$ -	\$ 1,328,583
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(649,729)	(116,408)	-	(766,137)
Total ferry, tourism and culture activities capital assets, net.....	\$ 349,854	\$ 212,592	\$ -	\$ 562,446

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

<b>Governmental Activities:</b>	
General government.....	\$ 60,999
Public safety.....	295,963
Education.....	3,177,090
Public works.....	914,592
Human services.....	19,607
Library.....	33,214
Total depreciation expense - governmental activities.....	\$ 4,501,465
<b>Business-Type Activities:</b>	
Water and sewer.....	\$ 669,242
Rink.....	57,228
Harbor/Waterways.....	163,596
Recreation.....	12,126
Ferry, tourism and culture.....	116,408
Total depreciation expense - business-type activities.....	\$ 1,018,600

**NOTE 5 – TRANSFERS**

Interfund transfers for the year ended June 30, 2023, are summarized as follows:

Transfers Out:	Transfers In:						Total
	General Fund	Nonmajor Governmental Funds	Trash	Skating Rink Fund	Harbor and Waterways Fund	Recreation Enterprise fund	
General Fund.....	\$ -	\$ 43,800	\$ 971,400	\$ 2,500	\$ 1,800	\$ 28,500	\$ 1,048,000 (1)
Nonmajor Governmental Funds.....	108,426	-	-	-	-	-	108,426 (2)
Total.....	\$ 108,426	\$ 43,800	\$ 971,400	\$ 2,500	\$ 1,800	\$ 28,500	\$ 1,156,426

- (1) Budgeted transfers from the general fund to the nonmajor governmental funds and the water and sewer, trash, skating rink, harbor and waterways, and recreation enterprise funds.
- (2) Represents budgeted transfers from the nonmajor governmental funds to the general fund.

**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 respectively.

The Town had the following short-term debt outstanding at year end:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
<b>Enterprise Funds:</b>							
ILN	MCWT Interim Loan.....	0.00%	On Demand	\$ 4,491,863	\$ 3,294,588	\$ (7,786,451)	\$ -

The Town entered into an interim loan with the Massachusetts Clean Water Trust (MCWT) in 2021 totaling \$7,786,451. In 2023, the Town incurred an additional \$1,281,748 of eligible construction costs related to the project and has received interim loan proceeds in the amount of \$3,294,588. During 2023, after the conclusion of the related construction project, the MCWT permanently finalized the loan and issued a new note on a long-term basis.

**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 on the following pages.

**Long-Term Debt Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
<b>Capital Financing:</b>				
Lighting System Capital Financing.....	2025	\$ 654,894	3.10	\$ 141,388
Fire Truck.....	2029	614,996	3.06	<u>537,579</u>
Total Capital Financing Payable.....				678,967
<b>General Obligation Bonds:</b>				
Municipal Purpose Bonds of 2015.....	2040	36,033,000	2.00-5.00	28,250,000
Municipal Purpose Refunding Bonds of 2015.....	2025	2,903,000	2.00-4.00	655,000
Municipal Purpose Bonds of 2017.....	2031	13,445,000	2.00-4.00	9,730,000
Municipal Purpose Bonds of 2020.....	2030	1,098,000	4.00	<u>905,000</u>
Total General Obligation Bonds Payable.....				39,540,000
Add: Unamortized premium on bonds.....				<u>909,764</u>
Total Long-term Debt, net.....				<u>\$ 41,128,731</u>

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

Year	General Obligation Bonds			Capital Financing Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024.....	\$ 2,410,000	\$ 1,420,028	\$ 3,830,028	\$ 156,443	\$ 20,009	\$ 176,452
2025.....	2,505,000	1,324,777	3,829,777	153,435	15,162	168,597
2026.....	2,290,000	1,213,952	3,503,952	88,137	11,311	99,448
2027.....	2,380,000	1,111,677	3,491,677	90,838	8,610	99,448
2028.....	2,475,000	1,015,152	3,490,152	93,622	5,826	99,448
2029.....	2,555,000	929,502	3,484,502	96,492	2,957	99,449
2030.....	2,635,000	839,827	3,474,827	-	-	-
2031.....	2,595,000	748,508	3,343,508	-	-	-
2032.....	2,620,000	657,251	3,277,251	-	-	-
2033.....	1,890,000	580,853	2,470,853	-	-	-
2034.....	1,950,000	518,814	2,468,814	-	-	-
2035.....	2,020,000	452,246	2,472,246	-	-	-
2036.....	2,085,000	381,864	2,466,864	-	-	-
2037.....	2,160,000	307,989	2,467,989	-	-	-
2038.....	2,240,000	230,968	2,470,968	-	-	-
2039.....	2,320,000	147,700	2,467,700	-	-	-
2040.....	<u>2,410,000</u>	<u>57,688</u>	<u>2,467,688</u>	-	-	-
Total.....	<u>\$ 39,540,000</u>	<u>\$ 11,938,796</u>	<u>\$ 51,478,796</u>	<u>\$ 678,967</u>	<u>\$ 63,875</u>	<u>\$ 742,842</u>

**Long-term Debt Schedule – Enterprise Funds**

The Town is a member of the Massachusetts Water Resources Authority (MWRA) which offers its members interest free loans for various purposes. The majority of the Town’s Water & Sewer Enterprise Fund debt is issued through this program. The interest imputed on the remaining life of the 0% MWRA bonds is immaterial to the financial statements and therefore no adjustments have been made to recognize the imputed interest.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant, a loan and a grant to forgive interest on the loan. The loan portion is payable in either five or ten equal annual installments. At June 30, 2023, the outstanding principal amount of these loans totaled \$6.0 million.

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
<b>Direct Borrowings:</b>				
MWRA Water Bonds of 2014.....	2024	\$ 275,000	0.00	\$ 27,500
MWRA Water Bonds of 2015.....	2025	2,287,000	0.00	457,400
MWRA Water Bonds of 2017.....	2028	2,159,000	0.00	1,079,500
MWRA Water Bonds of 2018.....	2028	2,244,000	0.00	1,122,000
MWRA Water Bonds of 2019.....	2029	487,850	0.00	292,710
MWRA Water Bonds of 2020.....	2030	690,000	0.00	483,000
MWRA Water Bonds of 2021.....	2031	750,000	0.00	600,000
MWRA Water Bonds of 2022.....	2032	750,000	0.00	675,000
MWRA Sewer Bonds of 2016.....	2026	106,750	0.00	32,025
MWRA Sewer Bonds of 2019.....	2023	64,875	0.00	12,975
MWRA Sewer Bonds of 2020.....	2030	373,563	0.00	239,107
MWRA Sewer Bonds of 2021.....	2031	68,063	0.00	54,449
MWRA Sewer Bonds of 2022.....	2027	250,000	0.00	200,000
MWRA Sewer Bonds of 2023.....	2033	750,125	0.00	750,125
MCWT.....	2053	7,272,545	2.20	<u>7,272,545</u>
Total Direct Borrowings.....				<u>13,298,336</u>
<b>General Obligations:</b>				
Municipal Purpose Bonds of 2020.....	2031	312,000	3.00-4.00	<u>275,000</u>
Total Long-term Debt, net.....				<u>\$ 13,573,336</u>

Debt service requirements for principal and interest for Enterprise general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2024.....	\$ 35,000	\$ 9,700	\$ 44,700
2025.....	30,000	8,400	38,400
2026.....	35,000	7,200	42,200
2027.....	35,000	6,000	41,000
2028.....	35,000	4,800	39,800
2029.....	35,000	3,600	38,600
2030.....	35,000	2,400	37,400
2031.....	35,000	1,350	36,350
2032.....	-	450	450
Total.....	\$ 275,000	\$ 43,900	\$ 318,900

Year	Direct Borrowings:		
	Principal	Interest	Total
2024.....	\$ 1,406,992	\$ 157,329	\$ 1,564,321
2025.....	1,366,517	151,996	1,518,513
2026.....	1,122,893	146,663	1,269,556
2027.....	1,112,217	141,330	1,253,547
2028.....	1,062,217	135,997	1,198,214
2029.....	621,915	130,663	752,578
2030.....	573,131	125,330	698,461
2031.....	474,237	119,997	594,234
2032.....	392,431	114,664	507,095
2033.....	317,431	109,331	426,762
2034.....	242,418	103,997	346,415
2035.....	242,418	98,664	341,082
2036.....	242,418	93,331	335,749
2037.....	242,418	87,998	330,416
2038.....	242,418	82,665	325,083
2039.....	242,418	77,331	319,749
2040.....	242,418	71,998	314,416
2041.....	242,418	66,665	309,083
2042.....	242,418	61,332	303,750
2043.....	242,418	55,999	298,417
2044.....	242,418	50,665	293,083
2045.....	242,418	45,332	287,750
2046.....	242,418	39,999	282,417
2047.....	242,418	34,666	277,084
2048.....	242,418	29,333	271,751
2049.....	242,418	23,999	266,417
2050.....	242,418	18,666	261,084
2051.....	242,418	13,333	255,751
2052.....	242,418	8,000	250,418
2053.....	242,418	2,667	245,085
Total .....	\$ 13,298,336	\$ 2,399,940	\$ 15,698,276

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 mains.....	\$ 252,495
Middle/high school building.....	945,011
Water mains.....	5,403,101
Sewer.....	20,920
Rink renovations.....	600,000
Water pump station and equipment.....	1,633,750
Winthrop center business district water/sewer.....	2,668,408
<b>Total.....</b>	<b>\$ 11,523,685</b>

Changes in Long-term Liabilities

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

	Beginning Balance	Long-term Debt Issued	Long-term Debt Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 41,855,000	\$ -	\$ (2,314,999)	\$ -	\$ -	\$ 39,540,001	\$ 2,410,000
Long-term capital financing.....	212,622	614,996	(148,652)	-	-	678,966	156,443
Add: Unamortized premium on bonds.....	1,052,248	-	(142,484)	-	-	909,764	128,664
Total long-term debt.....	43,119,870	614,996	(2,606,135)	-	-	41,128,731	2,695,107
Compensated absences.....	462,000	-	-	93,000	(62,000)	493,000	49,000
Net pension liability/(asset).....	(11,656,000)	-	-	15,793,000	(1,847,000)	2,290,000	-
Net OPEB liability.....	98,109,319	-	-	3,900,325	(422,606)	101,587,038	-
Total governmental activity long-term liabilities.....	<u>\$ 130,035,189</u>	<u>\$ 614,996</u>	<u>\$ (2,606,135)</u>	<u>\$ 19,786,325</u>	<u>\$ (2,331,606)</u>	<u>\$ 145,498,769</u>	<u>\$ 2,744,107</u>
<b>Business-Type Activities:</b>							
General Obligation Bonds.....	\$ 310,000	\$ -	\$ (35,000)	\$ -	\$ -	\$ 275,000	\$ 35,000
Direct Borrowings.....	6,440,226	8,022,670	(1,164,560)	-	-	13,298,336	1,406,993
Total long-term debt.....	6,750,226	8,022,670	(1,199,560)	-	-	13,573,336	1,441,992
Net pension liability/(asset).....	(986,000)	-	-	1,481,000	(305,000)	190,000	-
Net OPEB liability.....	2,067,795	-	-	255,261	(260,403)	2,062,653	-
Total business-type activity long-term liabilities.....	<u>\$ 7,832,021</u>	<u>\$ 8,022,670</u>	<u>\$ (1,199,560)</u>	<u>\$ 1,736,261</u>	<u>\$ (565,403)</u>	<u>\$ 15,825,989</u>	<u>\$ 1,441,992</u>

The governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

There are 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 balances, GASB Statement #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. The Town’s highest level of decision-making authority is the Town Council.
- 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.

As of June 30, 2023, the governmental fund balances consisted of the following:

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 679,685	\$ 679,685
Restricted for:			
Town revolving fund.....	-	870,796	870,796
Town grant fund.....	-	546,913	546,913
Town gift and grant fund.....	-	658,574	658,574
School revolving fund.....	-	1,702,545	1,702,545
School gift and grant fund.....	-	613,465	613,465
Other special revenue fund.....	-	108,085	108,085
Other capital projects fund.....	-	73,079	73,079
Lewis Lake Challenge.....	-	18,918	18,918
Cemetery perpetual care.....	-	40,187	40,187
Permanent fund.....	-	133,658	133,658
Committed to:			
Capital outlay.....	712,897	-	712,897
Assigned to:			
General government.....	27,581	-	27,581
Public safety.....	77	-	77
Education.....	610,987	-	610,987
Public works.....	32	-	32
Human services.....	170	-	170
Unassigned.....	9,113,741	-	9,113,741
<b>Total Fund Balances.....</b>	<b>\$ 10,465,485</b>	<b>\$ 5,445,905</b>	<b>\$ 15,911,390</b>

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints. 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 changes to the purpose of the fund along with any additions to or appropriations from the fund required a two-thirds vote of the legislative body. At year end the balance of the General Stabilization fund is \$3,426,984, the Capital Stabilization fund is \$2,936,364, the Building Maintenance Stabilization fund is \$233,965, and the Compensated Absences Reserve fund is \$50,000. The balance of all stabilization funds is reported as unassigned fund balance within the general fund.

## NOTE 9 – PENSION PLAN

### *Plan Descriptions*

The Town is a member of the Winthrop Contributory Retirement System (WCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the two 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 trust fund in the fiduciary fund financial statements.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer 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 #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 portion of the collective pension expense, contributed by the Commonwealth, of \$4,144,277 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/(asset) associated with the Town is \$50,380,375 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.

During 2023, there was a change in benefit terms which increased the base of the cost of living adjustment from 3% of the first \$12,000 to \$13,000.

At December 31, 2022, the WCRS membership consists of the following:

Active members.....	265
Inactive members.....	87
Retirees and beneficiaries currently receiving benefits.....	<u>194</u>
Total.....	<u><u>546</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 WCRS a legislatively mandated actuarial 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 \$3,948,000 or 27.65% 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 \$3,725,000 which equaled its actual contribution.

*Pension Liabilities/(Assets)*

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

Total pension liability.....	\$	96,581,000
Total pension plan's fiduciary net position.....		<u>(93,952,000)</u>
Total net pension liability/(asset).....	\$	<u><u>2,629,000</u></u>
The pension plan's fiduciary net position as		
a percentage of the total pension liability.....		97.28%

At June 30, 2023, the Town reported a liability of \$2,480,000 for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of January 1, 2023. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town’s proportion of the net pension liability/(asset) was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2022, the Town’s proportion was 94.34%, which changed from its proportion measured at December 31, 2021 of 94.28%.

*Pension Expense*

For the year ended June 30, 2023, the Town recognized pension expense of \$1,582,000. At June 30, 2023, the Town reported the following deferred outflows of resources and deferred inflows of resources related to pensions:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (1,839,000)	\$ (1,839,000)
Difference between projected and actual earnings, net.....	5,307,000	-	5,307,000
Changes in assumptions.....	727,000	-	727,000
Changes in proportion and proportionate share of contributions...	1,000	(8,000)	(7,000)
	6,035,000	(1,847,000)	4,188,000
Total deferred outflows/(inflows) of resources.....	\$ <u>6,035,000</u>	\$ <u>(1,847,000)</u>	\$ <u>4,188,000</u>

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

Year ended June 30:	
2024.....	\$ (1,085,000)
2025.....	268,000
2026.....	1,423,000
2027.....	<u>3,582,000</u>
Total.....	\$ <u>4,188,000</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2022:

Valuation date.....	January 1, 2023
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method - UAAL.....	Total cost payments that are phased down to normal cost by FY28.
Remaining amortization period.....	Fully funded as of January 1, 2023.
Asset valuation method.....	Fair value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return.....	6.75% net of pension plan investment expense, including inflation.
Discount rate.....	6.75%
Inflation rate.....	2.50%
Projected salary increases.....	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments.....	3% of first \$13,000.
Mortality rates.....	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021 (gender distinct).  Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (gender district).  For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2021 (gender district).

*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 equities.....	12.20%	6.90%
Emerging international equities....	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 Fund   PCS.....	8.60%	6.60%
Overlay.....	0.40%	0.00%
Total.....	100.00%	

*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 -11.49%. 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 6.75%. 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/(Asset) to Changes in the Discount Rate*

The following presents the net pension liability/(asset), calculated using the discount rate of 6.75%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
	December 31, 2022 Measurement Date		
The Town's proportionate share of the net pension liability/(asset).....	\$ 12,740,000	\$ 2,480,000	\$ (6,179,000)
WCRS total net pension liability/(asset)....	\$ 13,500,000	\$ 2,629,000	\$ (6,550,000)

*Changes of Assumptions*

The mortality projection scale assumption was updated.

*Changes in Plan Provisions*

None.

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active members 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. All active and retired members receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC).

*Funding Policy*

Contribution requirements are established through agreements with Town employee unions, and in accordance with overall Town policy. Retirees contribute 10%-35% of the calculated contribution for health insurance and the remainder of the cost is funded by the Town. Retirees contribute 50% of the premiums for life insurance and the remainder of the cost is funded by the Town. For the year ended June 30, 2023, the Town’s average contribution rate was 9.35% 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 has pre-funded future OPEB liabilities by contributing \$50,000 to the OPEB Trust 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 balance of this fund totaled \$394,994. The Town has not formally adopted a policy of pre-funding future OPEB liabilities.

*Plan Membership*

The following table represents the Plan’s membership at June 30, 2023:

Active members.....	472
Inactive members currently receiving benefits.....	<u>389</u>
Total.....	<u><u>861</u></u>

*Components of OPEB Liability*

The following table represents the components of the Plan’s OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$ 104,044,685
Less: OPEB plan’s fiduciary net position.....	<u>(394,994)</u>
Net OPEB liability.....	<u><u>\$ 103,649,691</u></u>
The OPEB plan’s fiduciary net position	
as a percentage of the total OPEB liability.....	0.38%

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the July 1, 2021 actuarial valuation was determined by using the following actuarial assumptions actuarial, applied to all periods including the measurement date that was updated to June 30, 2023:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair Value of Assests as of the Measurement Date, June 30, 2023.
Investment rate of return.....	2.50%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.13%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Payroll growth.....	3.00% annually as of June 30, 2023 and for future periods.
Pre-Retirement Mortality.....	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.....	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..... 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 investments, net of investment expense, was 0.21%. The money-weighted rate of return expresses investment performance, net of 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 rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation as of June 30, 2023, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	0.00%	4.10%
Domestic equity - small/mid cap.....	0.00%	4.55%
International equity - developed market.....	0.00%	4.64%
International equity - emerging market.....	0.00%	5.45%
Domestic fixed income.....	0.00%	1.05%
International fixed income.....	0.00%	0.96%
Alternatives.....	0.00%	5.95%
Real estate.....	0.00%	6.25%
Cash and cash equivalents.....	100.00%	0.00%
Total.....	100.00%	

*Discount Rate*

The discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position is 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 is applied to the projected benefit payments which the fiduciary net position is expected to be sufficient to cover and the municipal bond rate is applied thereafter. The municipal bond rate is based on the S&P Municipal Bond 20 – Year High Grade Index (“SAPIHG”), which was 4.13% as of June 30, 2023. The S&P Municipal Bond 20 – Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

*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.....	\$ 100,521,401	\$ 344,287	\$ 100,177,114
Changes for the year:			
Service cost.....	2,875,933	-	2,875,933
Interest.....	4,167,589	-	4,167,589
Changes of assumptions.....	(489,273)	-	(489,273)
Benefit payments.....	(3,030,965)	(3,030,965)	-
Employer contributions.....	-	3,080,965	(3,080,965)
Net investment income.....	-	707	(707)
Net change.....	<u>3,523,284</u>	<u>50,707</u>	<u>3,472,577</u>
Balances at June 30, 2023.....	<u>\$ 104,044,685</u>	<u>\$ 394,994</u>	<u>\$ 103,649,691</u>

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

The following table presents the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13%) or 1-percentage-point higher (5.13%) than the current rate.

	Current		
	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
Net OPEB liability.....	\$ <u>121,495,637</u>	\$ <u>103,649,691</u>	\$ <u>89,507,047</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend*

The following table presents the net OPEB liability, calculated using the current healthcare trend rate, 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 or 1-percentage-point higher than the current rate.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ <u>88,231,143</u>	\$ <u>103,649,691</u>	\$ <u>123,508,803</u>

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

For the financial reporting year ended June 30, 2023, the Town recognized OPEB expense of \$6,978,011 and reported deferred outflows/(inflows) of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 537,395	\$ (3,028,201)	\$ (2,490,806)
Difference between projected and actual earnings, net.....	14,982	-	14,982
Changes of assumptions.....	10,915,927	(17,743,337)	(6,827,410)
Total deferred outflows/(inflows) of resources.....	\$ 11,468,304	\$ (20,771,538)	\$ (9,303,234)

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

<u>Reporting year ended June 30:</u>	
2024.....	(56,140)
2025.....	(838,232)
2026.....	(2,456,595)
2027.....	(4,045,829)
2028.....	(1,874,426)
Thereafter.....	(32,012)
Total.....	\$ (9,303,234)

*Changes of Assumptions*

The discount rate has been changed from 4.09% to 4.13%.

*Changes in Plan Provisions*

None.

**NOTE 11 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for workers compensation related to the police and fire departments and has a premium based plan for all other departments. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2023, the amount of the liability of the workers' compensation claims is immaterial and is therefore not reported.

**NOTE 12 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT 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 Employee Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2022)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 2,841,303	\$ 394,994	\$ 3,236,297
Investments:			
Pension Reserve Investment Trust.....	91,053,177	-	91,053,177
Departmental and other.....	61,574	-	61,574
<b>TOTAL ASSETS.....</b>	<b>93,956,054</b>	<b>394,994</b>	<b>94,351,048</b>
<b>LIABILITIES</b>			
Warrants payable.....	4,603	-	4,603
<b>NET POSITION</b>			
Restricted for pensions.....	93,951,451	-	93,951,451
Restricted for other postemployment benefits.....	-	394,994	394,994
<b>TOTAL NET POSITION.....</b>	<b>\$ 93,951,451</b>	<b>\$ 394,994</b>	<b>\$ 94,346,445</b>
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions.....	\$ 3,948,325	\$ 50,000	\$ 3,998,325
Employer contributions for OPEB payments.....	-	3,030,965	3,030,965
Member contributions.....	1,420,064	-	1,420,064
Transfers from other systems.....	188,007	-	188,007
3(8)c contributions from other systems.....	121,704	-	121,704
Member makeup payments and redeposits.....	55,756	-	55,756
Private donations.....	70,620	-	70,620
<b>Total contributions.....</b>	<b>5,804,476</b>	<b>3,080,965</b>	<b>8,885,441</b>
Net investment income:			
Investment income.....	(11,432,869)	707	(11,432,162)
Less: investment expense.....	(481,052)	-	(481,052)
Net investment income (loss).....	(11,913,921)	707	(11,913,214)
<b>TOTAL ADDITIONS.....</b>	<b>(6,109,445)</b>	<b>3,081,672</b>	<b>(3,027,773)</b>
<b>DEDUCTIONS:</b>			
Administration.....	179,893	-	179,893
Transfers to other systems.....	194,060	-	194,060
3(8)c transfer to other systems.....	438,273	-	438,273
Retirement benefits and refunds.....	5,312,379	-	5,312,379
Other postemployment benefit payments.....	-	3,030,965	3,030,965
<b>TOTAL DEDUCTIONS.....</b>	<b>6,124,605</b>	<b>3,030,965</b>	<b>9,155,570</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>(12,234,050)</b>	<b>50,707</b>	<b>(12,183,343)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>106,185,501</b>	<b>344,287</b>	<b>106,529,788</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 93,951,451</b>	<b>\$ 394,994</b>	<b>\$ 94,346,445</b>

**NOTE 13 – 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 such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated 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 14 – SUBSEQUENT EVENTS**

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

**NOTE 15 – 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**  
**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
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 36,530,781	\$ 36,527,026	\$ 36,418,045	\$ -	\$ (108,981)
Tax liens.....	-	-	197,262	-	197,262
Motor vehicle and boat excise taxes.....	2,100,000	2,100,000	2,214,547	-	114,547
Hotel/motel tax.....	40,000	40,000	67,739	-	27,739
Meals tax.....	147,500	147,500	263,677	-	116,177
Penalties and interest on taxes.....	87,648	87,648	158,259	-	70,611
Fees and rentals.....	293,000	293,000	445,977	-	152,977
Licenses and permits.....	368,000	368,000	570,756	-	202,756
Fines and forfeitures.....	136,500	136,500	392,922	-	256,422
Intergovernmental.....	15,761,222	15,761,222	16,169,811	-	408,589
Departmental and other.....	37,000	37,000	157,750	-	120,750
Investment income.....	8,500	8,500	155,199	-	146,699
<b>TOTAL REVENUES.....</b>	<b>55,510,151</b>	<b>55,506,396</b>	<b>57,211,944</b>	<b>-</b>	<b>1,705,548</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government.....	3,036,155	2,451,928	2,330,911	27,581	93,436
Public safety.....	7,962,582	8,258,385	8,228,875	77	29,433
Education.....	25,147,352	25,134,659	24,523,672	610,987	-
Public works.....	3,297,580	3,321,085	3,243,608	32	77,445
Health and human services.....	508,179	487,153	460,648	170	26,335
Culture and recreation.....	609,510	611,909	585,577	-	26,332
Pension benefits.....	3,500,623	3,463,223	3,463,223	-	-
Employee benefits.....	7,698,648	7,934,274	7,932,617	-	1,657
State and county charges.....	956,523	956,523	1,071,577	-	(115,054)
Capital outlay.....	1,173,426	1,464,089	751,192	712,897	-
<b>Debt service:</b>					
Principal.....	2,315,000	2,315,000	2,315,000	-	-
Interest.....	1,521,800	1,521,800	1,521,800	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>57,727,378</b>	<b>57,920,028</b>	<b>56,428,700</b>	<b>1,351,744</b>	<b>139,584</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,217,227)</b>	<b>(2,413,632)</b>	<b>783,244</b>	<b>(1,351,744)</b>	<b>1,845,132</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of fund balance to fund prior year carryforwards.....	1,546,129	1,546,129	-	-	(1,546,129)
Free cash to fund supplemental appropriations.....	-	1,163,909	-	-	(1,163,909)
Transfers in.....	1,666,098	1,791,136	1,807,040	-	15,904
Transfers out.....	(995,000)	(2,087,542)	(2,087,542)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,217,227</b>	<b>2,413,632</b>	<b>(280,502)</b>	<b>-</b>	<b>(2,694,134)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>502,742</b>	<b>(1,351,744)</b>	<b>(849,002)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>3,157,431</b>	<b>3,157,431</b>	<b>3,157,431</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 3,157,431</b>	<b>\$ 3,157,431</b>	<b>\$ 3,660,173</b>	<b>\$ (1,351,744)</b>	<b>\$ (849,002)</b>

See notes to required supplementary information.

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# ***Retirement Plan Schedules – Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability/(Asset) and Related Ratios presents multi-year trend information on the Plan's net pension liability/(asset) 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 Returns 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/(ASSET)  
AND RELATED RATIOS  
WINTHROP CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
<b>Total pension liability:</b>				
Service cost.....	\$ 1,539,000	\$ 1,897,000	\$ 1,982,000	\$ 2,123,000
Interest.....	5,054,000	5,127,000	5,460,000	5,545,000
Changes in benefit terms.....	-	-	-	-
Differences between expected and actual experience.....	-	(2,295,000)	-	(2,683,000)
Changes in assumptions.....	-	3,500,000	-	1,850,000
Benefit payments.....	<u>(3,825,000)</u>	<u>(3,903,000)</u>	<u>(3,738,000)</u>	<u>(4,048,000)</u>
Net change in total pension liability.....	2,768,000	4,326,000	3,704,000	2,787,000
Total pension liability - beginning.....	<u>65,585,000</u>	<u>68,353,000</u>	<u>72,679,000</u>	<u>76,383,000</u>
Total pension liability - ending (a).....	<u>\$ 68,353,000</u>	<u>\$ 72,679,000</u>	<u>\$ 76,383,000</u>	<u>\$ 79,170,000</u>
<b>Plan fiduciary net position:</b>				
Employer contributions.....	\$ 3,061,000	\$ 3,120,000	\$ 3,245,000	\$ 3,375,000
Member contributions.....	893,000	1,068,000	1,035,000	1,359,000
Net investment income (loss).....	3,827,000	454,000	4,080,000	10,198,000
Administrative expenses.....	(94,000)	(103,000)	(127,000)	(127,000)
Retirement benefits and refunds.....	<u>(3,825,000)</u>	<u>(3,903,000)</u>	<u>(3,738,000)</u>	<u>(4,048,000)</u>
Net increase (decrease) in fiduciary net position.....	3,862,000	636,000	4,495,000	10,757,000
Fiduciary net position - beginning of year.....	<u>50,934,000</u>	<u>54,796,000</u>	<u>55,432,000</u>	<u>59,927,000</u>
Fiduciary net position - end of year (b).....	<u>\$ 54,796,000</u>	<u>\$ 55,432,000</u>	<u>\$ 59,927,000</u>	<u>\$ 70,684,000</u>
<b>Net pension liability/(asset) - ending (a)-(b).....</b>	<u>\$ 13,557,000</u>	<u>\$ 17,247,000</u>	<u>\$ 16,456,000</u>	<u>\$ 8,486,000</u>
Plan fiduciary net position as a percentage of the total pension liability.....	80.17%	76.27%	78.46%	89.28%
Covered payroll.....	\$ 10,189,000	\$ 11,695,000	\$ 11,695,000	\$ 12,853,000
Net pension liability/(asset) as a percentage of covered payroll.....	133.06%	147.47%	140.71%	66.02%

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
\$	2,219,000	\$ 2,356,000	\$ 2,462,000	\$ 2,452,000	\$ 2,562,000
	5,742,000	5,974,000	6,219,000	6,032,000	6,253,000
	-	-	-	-	500,000
	(435,000)	-	(4,726,000)	-	(306,000)
	3,100,000	-	1,700,000	-	200,000
	<u>(4,385,000)</u>	<u>(4,861,000)</u>	<u>(5,009,000)</u>	<u>(5,233,000)</u>	<u>(5,405,000)</u>
	6,241,000	3,469,000	646,000	3,251,000	3,804,000
	<u>79,170,000</u>	<u>85,411,000</u>	<u>88,880,000</u>	<u>89,526,000</u>	<u>92,777,000</u>
\$	<u>85,411,000</u>	<u>88,880,000</u>	<u>89,526,000</u>	<u>92,777,000</u>	<u>96,581,000</u>
\$	3,510,000	\$ 3,650,000	\$ 3,796,000	\$ 3,948,000	\$ 3,948,000
	1,073,000	1,004,000	1,219,000	1,181,000	1,317,000
	(1,673,000)	11,017,000	9,430,000	17,421,000	(11,914,000)
	(133,000)	(145,000)	(156,000)	(152,000)	(180,000)
	<u>(4,385,000)</u>	<u>(4,861,000)</u>	<u>(5,009,000)</u>	<u>(5,233,000)</u>	<u>(5,405,000)</u>
	(1,608,000)	10,665,000	9,280,000	17,165,000	(12,234,000)
	<u>70,684,000</u>	<u>69,076,000</u>	<u>79,741,000</u>	<u>89,021,000</u>	<u>106,186,000</u>
\$	<u>69,076,000</u>	<u>79,741,000</u>	<u>89,021,000</u>	<u>106,186,000</u>	<u>93,952,000</u>
\$	<u>16,335,000</u>	<u>9,139,000</u>	<u>505,000</u>	<u>(13,409,000)</u>	<u>2,629,000</u>
	80.87%	89.72%	99.44%	114.45%	97.28%
\$	13,204,000	\$ 13,204,000	\$ 13,001,000	\$ 13,001,000	\$ 14,276,000
	123.71%	69.21%	3.88%	-103.14%	18.42%

**SCHEDULE OF CONTRIBUTIONS**  
**WINTHROP 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.....	\$ 3,948,000	\$ (3,948,000)	\$ -	\$ 14,276,000	27.65%
December 31, 2021.....	3,948,000	(3,948,000)	-	13,001,000	30.37%
December 31, 2020.....	3,796,000	(3,796,000)	-	13,001,000	29.20%
December 31, 2019.....	3,650,000	(3,650,000)	-	13,204,000	27.64%
December 31, 2018.....	3,510,000	(3,510,000)	-	13,204,000	26.58%
December 31, 2017.....	3,375,000	(3,375,000)	-	12,853,000	26.26%
December 31, 2016.....	3,245,000	(3,245,000)	-	11,695,000	27.75%
December 31, 2015.....	3,120,000	(3,120,000)	-	11,695,000	26.68%
December 31, 2014.....	3,061,000	(3,061,000)	-	10,189,000	30.04%

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**  
**WINTHROP CONTRIBUTORY RETIREMENT SYSTEM**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2022.....	-11.49%
December 31, 2021.....	19.93%
December 31, 2020.....	12.08%
December 31, 2019.....	16.30%
December 31, 2018.....	-2.43%
December 31, 2017.....	17.30%
December 31, 2016.....	7.49%
December 31, 2015.....	0.82%
December 31, 2014.....	7.57%

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/(Asset) presents multi-year trend information on the Town's net pension liability/(asset) 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 the 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/(ASSET)  
WINTHROP CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability/(asset)	Proportionate share of the net pension liability/(asset)	Covered payroll	Net pension liability/(asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	94.34%	\$ 2,480,000	\$ 13,468,000	18.41%	97.28%
December 31, 2021.....	94.28%	(12,642,000)	12,257,000	-103.14%	114.45%
December 31, 2020.....	94.24%	476,000	12,252,000	3.89%	99.44%
December 31, 2019.....	94.36%	8,624,000	12,459,000	69.22%	89.72%
December 31, 2018.....	94.45%	15,428,000	12,471,000	123.71%	80.87%
December 31, 2017.....	94.27%	8,000,000	12,117,000	66.02%	89.28%
December 31, 2016.....	94.71%	15,585,000	11,076,000	140.71%	78.46%
December 31, 2015.....	94.29%	16,262,196	11,027,000	147.48%	76.27%
December 31, 2014.....	94.08%	12,724,601	9,586,000	132.74%	80.17%

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  
WINTHROP 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.....	\$ 3,725,000	\$ (3,725,000)	\$ -	\$ 13,603,000	27.38%
June 30, 2022.....	3,722,000	(3,722,000)	-	12,380,000	30.06%
June 30, 2021.....	3,578,000	(3,578,000)	-	12,375,000	28.91%
June 30, 2020.....	3,436,000	(3,436,000)	-	12,584,000	27.30%
June 30, 2019.....	3,307,000	(3,307,000)	-	12,596,000	26.25%
June 30, 2018.....	3,173,000	(3,173,000)	-	12,238,000	25.93%
June 30, 2017.....	3,065,000	(3,065,000)	-	11,187,000	27.40%
June 30, 2016.....	2,941,848	(2,941,848)	-	11,137,000	26.42%
June 30, 2015.....	2,844,787	(2,844,787)	-	9,682,000	29.38%

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**

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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.....	\$ 50,380,375	\$ 4,144,277	57.75%
2022.....	43,111,042	3,459,482	62.03%
2021.....	54,489,484	6,730,232	50.67%
2020.....	46,607,555	5,651,975	53.95%
2019.....	44,608,468	4,520,422	54.84%
2018.....	43,658,136	4,556,727	54.25%
2017.....	41,044,640	4,186,822	52.73%
2016.....	37,298,768	3,025,262	55.38%
2015.....	29,818,728	2,071,650	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 Benefits 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 the Town's 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 Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment 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  
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
<b>Total OPEB Liability</b>							
Service cost.....	\$ 3,972,892	\$ 3,299,685	\$ 3,149,426	\$ 3,744,326	\$ 3,919,801	\$ 4,759,126	\$ 2,875,933
Interest.....	2,511,486	2,888,437	3,503,277	3,540,646	3,072,576	2,850,689	4,167,589
Differences between expected and actual experience....	-	3,468,635	-	(4,054,480)	-	(2,314,883)	-
Changes of assumptions.....	(11,146,618)	2,696,789	5,968,515	9,965,987	10,103,566	(25,172,027)	(489,273)
Benefit payments.....	(1,934,575)	(2,273,963)	(2,449,855)	(2,731,160)	(2,871,278)	(3,062,317)	(3,030,965)
Net change in total OPEB liability.....	(6,596,815)	10,079,583	10,171,363	10,465,319	14,224,665	(22,939,412)	3,523,284
Total OPEB liability - beginning.....	85,116,698	78,519,883	88,599,466	98,770,829	109,236,148	123,460,813	100,521,401
Total OPEB liability - ending (a).....	<u>\$ 78,519,883</u>	<u>\$ 88,599,466</u>	<u>\$ 98,770,829</u>	<u>\$ 109,236,148</u>	<u>\$ 123,460,813</u>	<u>\$ 100,521,401</u>	<u>\$ 104,044,685</u>
<b>Plan fiduciary net position</b>							
Employer contributions.....	\$ 150,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Employer contributions for OPEB payments.....	1,934,575	2,273,963	2,449,855	2,731,160	2,871,278	3,062,317	3,030,965
Net investment income.....	521	3,730	7,008	5,597	1,613	551	707
Benefit payments.....	(1,934,575)	(2,273,963)	(2,449,855)	(2,731,160)	(2,871,278)	(3,062,317)	(3,030,965)
Net change in plan fiduciary net position.....	150,521	78,730	7,008	5,597	1,613	551	50,707
Plan fiduciary net position - beginning of year.....	100,267	250,788	329,518	336,526	342,123	343,736	344,287
Plan fiduciary net position - end of year (b).....	<u>\$ 250,788</u>	<u>\$ 329,518</u>	<u>\$ 336,526</u>	<u>\$ 342,123</u>	<u>\$ 343,736</u>	<u>\$ 344,287</u>	<u>\$ 394,994</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 78,269,095</u>	<u>\$ 88,269,948</u>	<u>\$ 98,434,303</u>	<u>\$ 108,894,025</u>	<u>\$ 123,117,077</u>	<u>\$ 100,177,114</u>	<u>\$ 103,649,691</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.32%	0.37%	0.34%	0.31%	0.28%	0.34%	0.38%
Covered-employee payroll.....	\$ 23,956,755	\$ 25,274,967	\$ 27,877,569	\$ 28,838,356	\$ 29,703,507	\$ 31,986,991	\$ 32,946,601
Net OPEB liability as a percentage of covered-employee payroll.....	326.71%	349.24%	353.10%	377.60%	414.49%	313.18%	314.60%

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.....	\$ 6,905,163	\$ (3,080,965)	\$ 3,824,198	\$ 32,946,601	9.35%
June 30, 2022.....	8,632,923	(3,062,317)	5,570,606	31,986,991	9.57%
June 30, 2021.....	7,603,693	(2,871,278)	4,732,415	29,703,507	9.67%
June 30, 2020.....	7,247,676	(2,731,160)	4,516,516	28,838,356	9.47%
June 30, 2019.....	8,295,198	(2,449,855)	5,845,343	27,877,569	8.79%
June 30, 2018.....	7,720,508	(2,423,963)	5,296,545	25,274,967	9.59%
June 30, 2017.....	6,531,965	(2,059,575)	4,472,390	23,956,755	8.60%

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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	0.21%
June 30, 2022.....	0.16%
June 30, 2021.....	0.47%
June 30, 2020.....	1.66%
June 30, 2019.....	2.13%
June 30, 2018.....	1.27%
June 30, 2017.....	0.44%

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 – BUDGETARY BASIS OF ACCOUNTING**

Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Council. The Town Manager presents an annual budget to Town Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Council, 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 and within departments subsequent to the approval of the annual budget, requires majority Town Council approval at a regular Council 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 Town is statutorily required to pay debt service, 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 Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2023 approved budget authorized \$57.2 million in appropriations and other amounts to be raised, as well as \$1.5 million of carryforwards from the prior year. During 2023, the Town Council approved \$1.3 million of supplemental appropriations for a variety of capital purchases, as well as transfers to Town stabilization funds.

The Finance Department has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

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.....	\$	502,742
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		228,178
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		(41,203)
Recognition of revenue for on-behalf payments.....		4,144,277
Recognition of expenditures for on-behalf payments.....		<u>(4,144,277)</u>
Net change in fund balance - GAAP basis.....	\$	<u>689,717</u>

### Appropriation Deficits

During 2023, actual expenditures exceeded appropriations for State and County charges. State and County charges are assessments from the Commonwealth, which are directly deducted from local receipts provided by the State. The Town is not required to raise the State and County assessment deficit.

## **NOTE B – PENSION PLAN**

### ***Pension Plan Schedules – Retirement System***

#### Schedule of Changes in the Net Pension Liability/(Asset) and Related Ratios

The Schedule of Changes in the Net Pension Liability/(Asset) 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/(asset). It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability/(asset) as a percentage of covered payroll.

#### 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 based on covered payroll.

#### Schedule of Investment Returns

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 of Winthrop***

#### Schedule of the Town's Proportionate Share of the Net Pension Liability/(Asset)

The Schedule of the Town's Proportionate Share of the Net Pension Liability/(Asset) details the allocated percentage of the net pension liability/(asset), the proportionate share of the net pension liability/(asset), and the covered payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability/(asset) as a percentage of covered payroll.

#### Schedule of the 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 based on covered payroll.

#### Schedule of the Special Funding Amounts of the Net Pension Liability

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/(asset) to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability/(asset) 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.

#### Changes of Assumptions

The mortality projection scale assumption was updated.

#### Changes in Plan Provisions

None.

### **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers. Additionally, all active and retired members and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

#### ***The Other Postemployment Benefit Plan***

#### 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.

#### 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 contributions 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. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are presented below.

Valuation date.....	July 1, 2021
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Fair Value of Assests as of the Measurement Date, June 30, 2023.
Investment rate of return.....	2.50%, net of OPEB plan investment expense, including inflation.
Discount rate.....	4.13%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Payroll growth.....	3.00% annually as of June 30, 2023 and for future periods.
Pre-Retirement Mortality.....	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.....	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.....	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.

Schedule of Investment Returns

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

Changes of Assumptions

The discount rate has been changed from 4.09% to 4.13%.

Change in Plan Provisions

None.