

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF SALISBURY, MASSACHUSETTS

Report on Examination of the
Basic Financial Statements
and Additional Information Year
Ended June 30, 2022



TOWN OF SALISBURY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Salisbury, Massachusetts

Opinion

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 Salisbury, Massachusetts, (the Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

includes our opinion. 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

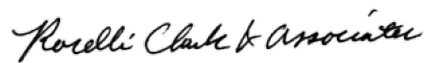
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers these 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 a report dated December 21, 2022, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts 01801
December 21, 2022

Management's Discussion and Analysis

As the management of the Town of Salisbury, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information listed in the table of contents.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately \$51.7 million (*total net position*). This represents an increase over \$3.8 million from the prior year. The Town's net position in its governmental activities increased approximately \$2.1 million while its net position in its business-type activities increased approximately \$1.7 million.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit was over \$15.4 million at June 30, 2022. This deficit is due primarily to the recording of liabilities associated with OPEB and pension benefits, which totaled about \$22.5 million at June 30, 2022 in the aggregate. These liabilities are applied to the Town's unrestricted net position and represent actuarial estimates of future pension and other postemployment benefits payable by the Town for retiree medical insurance and pensions.
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$3.6 million (or approximately 11.8% of General Fund expenditures), this is available for spending at the government's discretion. The total fund balance in the General Fund was approximately \$4.9 million (or approximately 16.1% of General Fund expenditures). The Town also operates one major fund in addition to the General Fund; the fund was set up to account for the construction of the Town's Welcome Center and has a restricted fund deficit of over \$3.8 million (to be funded from a future bond issuance). The Town's aggregate Nonmajor funds include restricted balances of over \$1.9 million, unassigned deficits (to be funded from subsequent year grant receipts) of nearly \$0.2 million, committed fund balance of approximately \$0.4 million, and a portion classified as nonspendable of \$51,000.
- The Town's total long-term debt decreased by nearly \$2.2 million during the fiscal year as a result of regular scheduled maturities.

Overview of the Financial Statements

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

The *statement of net position* presents information on all of the Town's assets, deferred outflows of financial resources and liabilities and deferred inflows of financial resources, with the difference between

the two groups 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, education, community development, health and human services, culture and recreation, fringe benefits, and interest expense. The business-type activities of the Town include water and sewer enterprise funds.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable — amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for a particular purpose.
- Unassigned – amounts that are not constrained at all will be reported in the General Fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided in the basic financial statements to help the reader understand the differences, as indicated within the table of contents.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Welcome Center Fund which are presented as major funds. Data from the other governmental funds are combined into a single, aggregated presentation entitled Nonmajor Funds.

The Town adopts an annual legally appropriated budget for its General Fund and both its Water and Sewer Enterprise Funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the footnotes to the financial statements.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the water and sewer activities.

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

Notes to the 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

Government-wide Financial Analysis

The condensed comparative statements of net position for the two most recent years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and other assets	\$ 13,240,285	\$ 15,574,398	\$ 16,062,613	\$ 18,318,303	\$ 29,302,898	\$ 33,892,701
Capital assets, net	46,895,393	43,907,321	51,219,887	44,578,033	98,115,280	88,485,354
Total assets	60,135,678	59,481,719	67,282,500	62,896,336	127,418,178	122,378,055
<u>Deferred Outflows of Resources</u>	5,060,479	4,309,186	393,734	515,981	5,454,213	4,825,167
<u>Liabilities</u>						
Long-term liabilities	36,702,259	39,678,357	23,034,945	25,918,680	59,737,204	65,597,037
Other liabilities	8,516,871	7,885,394	7,940,041	2,931,364	16,456,912	10,816,758
Total liabilities	45,219,130	47,563,751	30,974,986	28,850,044	76,194,116	76,413,795
<u>Deferred Inflows of Resources</u>	4,480,562	2,837,944	497,589	329,172	4,978,151	3,167,116
<u>Net Position</u>						
Net investment in capital assets	28,559,869	23,957,766	26,040,107	24,241,726	54,599,976	48,199,492
Restricted	2,356,205	3,720,890	958,924	1,006,968	3,315,129	4,727,858
Unrestricted	(15,419,609)	(14,289,446)	9,204,628	8,984,407	(6,214,981)	(5,305,039)
Total Net Position	\$ 15,496,465	\$ 13,389,210	\$ 36,203,659	\$ 34,233,101	\$ 51,700,124	\$ 47,622,311

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 financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by approximately \$51.7 million (*total net position*). This represents an increase of approximately \$3.8 million from the prior year. The Town's net position in its governmental activities increased by approximately \$2.1 million while its net position in its business-type activities increased by over \$1.7 million.

By far the largest portion (\$54.6 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, 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 (about \$3.3 million) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net position* is in deficit by approximately \$6.2 million. This is primarily the result of reporting related to net pension and net OPEB liabilities required under GASB 68 and GASB 75. The recognition of these liabilities had a significant negative impact on the Town's net position that is expected to continue into the foreseeable future.

The condensed comparative statements of activities for the two most recent fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 2,699,764	\$ 3,155,956	\$ 4,743,117	\$ 4,975,953	\$ 7,442,881	\$ 8,131,909
Operating grants and contributions	1,904,138	1,909,075	-	-	1,904,138	1,909,075
Capital grants and contributions	843,699	2,103,757	146,118	834,325	989,817	2,938,082
General revenues:						
Property taxes	24,623,759	23,928,560	-	-	24,623,759	23,928,560
Intergovernmental	1,130,372	1,074,319	-	-	1,130,372	1,074,319
Other	2,762,812	2,843,192	334,391	297,246	3,097,203	3,140,438
Total Revenues	33,964,544	35,014,859	5,223,626	6,107,524	39,188,170	41,122,383
<u>Expenses</u>						
General government	2,894,434	2,978,221	-	-	2,894,434	2,978,221
Public safety	8,479,485	9,312,357	-	-	8,479,485	9,312,357
Education	15,118,540	14,265,972	-	-	15,118,540	14,265,972
Public works	1,817,792	1,555,334	-	-	1,817,792	1,555,334
Health and human services	830,510	1,051,443	-	-	830,510	1,051,443
Culture and recreation	882,253	826,055	-	-	882,253	826,055
Community development	810,351	669,947	-	-	810,351	669,947
Interest expense	384,112	346,979	-	-	384,112	346,979
Water	-	-	2,263,455	2,645,689	2,263,455	2,645,689
Sewer	-	-	1,887,699	2,758,621	1,887,699	2,758,621
Total Expenses	31,217,477	31,006,308	4,151,154	5,404,310	35,368,631	36,410,618
Increase in net position before transfers	2,747,067	4,008,551	1,072,472	703,214	3,819,539	4,711,765
Transfers	(639,812)	50,000	639,812	(50,000)	-	-
Change in net position	2,107,255	4,058,551	1,712,284	653,214	3,819,539	4,711,765
Net position, beginning of year	13,389,210	9,330,659	34,233,101	33,579,887	47,622,311	42,910,546
Restatement for prior year unbilled receivables	-	-	258,274	-	258,274	-
Net position, beginning of year, as restated	13,389,210	9,330,659	34,491,375	33,579,887	47,880,585	42,910,546
Net position, end of year	\$ 15,496,465	\$ 13,389,210	\$ 36,203,659	\$ 34,233,101	\$ 51,700,124	\$ 47,622,311

Governmental Activities – Total revenues in fiscal year 2022 in the Town’s governmental activities decreased approximately \$1.1 million from the prior year. This was primarily made up of following:

- Property taxes, which represents 72.5% of total revenues was, about \$0.7 million greater than the prior year. This was due to Prop 2 ½, a debt exclusion and a more aggressive tax lien foreclosure process that resulted in more collections.
- Grants and contributions, both operating and capital, represented over 8% of total revenue (compared to over 11% in the prior year) and were about \$1.3 million lower than the prior year due to more active grant programs in fiscal year 2021.

No other revenue sources exceeded 10% of total revenues in either fiscal year 2022 or 2021.

Education represents the largest expense category for the Town and is provided through regional school districts. In total, education expenses represent approximately 48.4% and 46.0% of total fiscal year 2022 and 2021 expenses, respectively. In terms of gross dollars, education expenses increased over \$0.8 million in fiscal year 2022, which reflected the increase in the Town’s assessment to its regional school districts. The districts assess the Town a portion of the total cost of providing education services to its students. This is typically assessed as a ratio based on school enrollment. Overall education costs continue to rise, especially benefits. Other major expenses were for general government and public safety

which comprised about 9.3% and 27.2%, respectively, of total expenses; these ratios, in aggregate, were consistent with the prior year and the individual expenses fluctuated due to the timing and classification of Covid related expenses. No other expenses exceeded 10% of total expenses in either fiscal year 2022 or 2021.

Business-type Activities. The primary revenue sources for both water and sewer activities are comprised of usage fees for metered services and system connections which represented approximately 81.5% of total revenues. The remainder is from capital grants and contributions. Business-type revenues decreased approximately \$0.2 million from the prior year due to decreased water consumption.

Water and sewer expenses represented 100% of total business-type expenses. Of the total expenses, approximately 56.8% pertains to direct operational costs with the remaining costs represented by debt service (approximately 9.1%) and current year depreciation/amortization (approximately 34.1%).

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 the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. The Town presents a General Fund, Welcome Center Fund, and combined Nonmajor Funds.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$3.6 million, while total fund balance was approximately \$4.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 11.8% of total General Fund expenditures, while total fund balance represents approximately 16.1% of that same amount. The general fund balance decreased by over \$0.4 million as conservative budget management led to unspent appropriations of nearly \$0.7 million which was combined with actual revenues over forecast and offset by appropriations from free cash leading to the reduction noted.

The Town maintains a Welcome Center Fund which was created to account for the construction of a Welcome/Visitors' Center with public restroom facilities at Salisbury Beach. The current year fund deficit of about \$3.8 million represents a decrease of nearly \$2.2 million from the prior year due to expenditures exceeding revenues by that amount. It is expected that this deficit will be funded in the future through a bond issuance.

The nature of Nonmajor Funds is the accumulation of resources through intergovernmental grants, user charges or contributions. These resources are typically restricted for specific purposes and over time are exhausted by their intended use and net to zero. Any residual balances at any one particular point in time or during the course of the year is merely the result of timing of revenues and expenditures; therefore, annual surpluses or deficits are not overly meaningful.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the Water Fund was nearly \$9.7 million; and net position of the Sewer Fund amounted to over \$26.5 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor (4.6%). The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to approximately \$98.1 million (net of accumulated depreciation/amortization).

This investment in capital assets includes land, construction in process, buildings and improvements, infrastructure, machinery, equipment and vehicles and reflects a net increase of approximately \$9.6 million, as a result of approximately \$12.5 million of capital asset additions offset by approximately \$2.9 million of depreciation/amortization.

The Town has undertaken major capital improvements over the past several years, including the construction of a new library, police station, and beach welcome center/restroom facilities, as well as ongoing improvements to roads and recreational facilities. The Town has also made substantial investments in water and sewer infrastructure, including a new water tank, water main replacements, upgrades to the wastewater treatment facility, and the extension of sewer infrastructure along the Lafayette Road/Route 1 corridor. A significant portion of these improvements were funded by federal and state grants.

Additional information on the Town's capital assets can be found in Note II. C, of this report.

Long-term Debt - At the end of the current fiscal year, the Town had total debt outstanding of approximately \$31.3 million. The Town's total long-term debt decreased by approximately \$2.2 million during the fiscal year due to regular scheduled maturities.

The last bond rating received by the Town was an "AA" as set by S&P for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total equalized valuation. The current debt limitation for the Town is over \$109 million based on the 2022 assessed valuation, which is significantly in excess of the Town's outstanding general obligation debt.

The Town is also responsible for a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in Note II. E, F and G of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town's real estate tax base is made up predominantly of residential taxes, which in 2022 represented approximately 82.3% of the entire property tax levy and is expected to approximate the same amount in 2023. The Town relies to a certain extent on its commercial, industrial, and personal property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy. This limit may be exceeded through a majority vote at Town Meeting along with ballot approval.

- Local housing prices have increased significantly in recent years and are now beginning to stabilize due to the correlative impact that recent Federal Open Market Committee interest rate hikes have had on mortgage rates. The Town expects housing prices to continue to remain stable or even decrease in 2023.
- Inflation has risen to historic levels in fiscal 2022. This has continued into 2023 and is expected to place upward pressure on the cost of wages and the delivery of goods and services.
- The Town anticipates state aid for 2023 to remain consistent with the prior year.

The above items were considered when the Town developed its budget for fiscal year 2023 which was approved at its Annual Town Meeting in May 2022, and the Town expects to set its tax rate before December 31, 2022.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 5 Beach Road, Salisbury, Massachusetts 01952.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,504,686	\$ 13,752,010	\$ 23,256,696
Investments	1,733,253	-	1,733,253
Receivables (net):			
Property taxes	797,588	-	797,588
Excise taxes	168,352	-	168,352
User fees	-	1,450,063	1,450,063
Departmental and other	1,763	-	1,763
Betterments	-	830,667	830,667
Intergovernmental	551,924	-	551,924
Tax foreclosures	482,719	-	482,719
Net other postemployment benefit asset	-	29,873	29,873
Capital assets, not being depreciated or amortized	11,247,354	18,815,607	30,062,961
Capital assets, net of accumulated depreciation/amortization	35,648,039	32,404,280	68,052,319
Total Assets	60,135,678	67,282,500	127,418,178
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	2,831,978	93,598	2,925,576
Related to net pension liability	2,228,501	300,136	2,528,637
Total Deferred Outflows of Resources	5,060,479	393,734	5,454,213
Liabilities			
Warrants and accounts payable	2,007,921	1,614,903	3,622,824
Accrued payroll and withholdings	569,337	33,183	602,520
Accrued interest expense	-	289,955	289,955
Retainage payable	26,871	-	26,871
Other liabilities	740,992	2,000	742,992
Bond anticipation notes	5,171,750	6,000,000	11,171,750
Noncurrent liabilities:			
Due within one year	1,343,197	1,705,573	3,048,770
Due in more than one year	35,359,062	21,329,372	56,688,434
Total Liabilities	45,219,130	30,974,986	76,194,116
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	1,041,585	34,425	1,076,010
Related to net pension liability	3,438,977	463,164	3,902,141
Total Deferred Inflows of Resources	4,480,562	497,589	4,978,151
Net Position			
Net investment in capital assets	28,559,869	26,040,107	54,599,976
Restricted:			
Nonexpendable permanent funds	51,000	-	51,000
Expendable permanent funds	460,505	-	460,505
Other purposes	1,844,700	958,924	2,803,624
Unrestricted	(15,419,609)	9,204,628	(6,214,981)
Total Net Position	\$ 15,496,465	\$ 36,203,659	\$ 51,700,124

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,894,434	\$ 1,123,868	\$ 369,939	\$ -	\$ (1,400,627)		\$ (1,400,627)
Public safety	8,479,485	1,376,389	174,276	-	(6,928,820)		(6,928,820)
Education	15,118,540	-	14,443	-	(15,104,097)		(15,104,097)
Public works	1,817,792	20,001	103,880	843,699	(850,212)		(850,212)
Health and human services	830,510	96,419	429,949	-	(304,142)		(304,142)
Culture and recreation	882,253	63,438	44,565	-	(774,250)		(774,250)
Community development	810,351	19,649	767,086	-	(23,616)		(23,616)
Interest expense	384,112	-	-	-	(384,112)		(384,112)
Total governmental activities	31,217,477	2,699,764	1,904,138	843,699	(25,769,876)		(25,769,876)
Business-type activities:							
Water	2,263,455	2,484,831	-	75,000		\$ 296,376	296,376
Sewer	1,887,699	2,258,286	-	71,118		441,705	441,705
Total business-type activities	4,151,154	4,743,117	-	146,118		738,081	738,081
Total Primary Government	\$ 35,368,631	\$ 7,442,881	\$ 1,904,138	\$ 989,817	(25,769,876)	738,081	(25,031,795)
		<u>General Revenues:</u>					
		Property taxes			24,623,759	-	24,623,759
		Grants and contributions not restricted to specific programs			1,130,372	-	1,130,372
		Motor vehicle and other excise			2,635,890	-	2,635,890
		Penalties and interest on taxes			125,442	-	125,442
		Unrestricted investment income			1,480	59,544	61,024
		Other income			-	274,847	274,847
		<u>Transfers (net)</u>			(639,812)	639,812	-
		Total general revenues			27,877,131	974,203	28,851,334
		Change in Net Position			2,107,255	1,712,284	3,819,539
		<u>Net Position:</u>					
		Beginning of year (as restated for Business-Type)			13,389,210	34,491,375	47,880,585
		End of year			\$ 15,496,465	\$ 36,203,659	\$ 51,700,124

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Welcome Center</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 4,922,811	\$ 1,697,835	\$ 2,884,040	\$ 9,504,686
Investments	1,306,638	-	426,615	1,733,253
Receivables:				
Property taxes	797,588	-	-	797,588
Excise taxes	168,352	-	-	168,352
Departmental and other	1,763	-	-	1,763
Intergovernmental	-	-	551,924	551,924
Tax foreclosures	482,719	-	-	482,719
Total Assets	<u>7,679,871</u>	<u>1,697,835</u>	<u>3,862,579</u>	<u>13,240,285</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 7,679,871</u></u>	<u><u>\$ 1,697,835</u></u>	<u><u>\$ 3,862,579</u></u>	<u><u>\$ 13,240,285</u></u>
Liabilities				
Warrants and accounts payable	\$ 660,648	\$ 795,165	\$ 552,108	\$ 2,007,921
Accrued payroll and withholdings	524,600	-	44,737	569,337
Retainage payable	-	26,871	-	26,871
Bond anticipation notes	-	4,685,000	486,750	5,171,750
Other liabilities	132,476	-	608,516	740,992
Total Liabilities	<u>1,317,724</u>	<u>5,507,036</u>	<u>1,692,111</u>	<u>8,516,871</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	797,588	-	-	797,588
Unavailable revenue - excise taxes	168,352	-	-	168,352
Unavailable revenue - other	482,719	-	-	482,719
Total Deferred Inflows of Resources	<u>1,448,659</u>	<u>-</u>	<u>-</u>	<u>1,448,659</u>
Fund Balances				
Nonspendable	-	-	51,000	51,000
Restricted	-	-	1,943,741	1,943,741
Committed	1,302,602	-	361,464	1,664,066
Assigned	10,103	-	-	10,103
Unassigned	3,600,783	(3,809,201)	(185,737)	(394,155)
Total Fund Balances	<u>4,913,488</u>	<u>(3,809,201)</u>	<u>2,170,468</u>	<u>3,274,755</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 7,679,871</u></u>	<u><u>\$ 1,697,835</u></u>	<u><u>\$ 3,862,579</u></u>	<u><u>\$ 13,240,285</u></u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances	\$ 3,274,755
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,895,393
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Other long-term assets are not available to pay for current period expenditures and, therefore are reported as unavailable revenue in the funds.	1,448,659
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Deferred outflows and (inflows) of resources to be recognized in future pension and other postemployment benefits expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment benefits liability	2,831,978
Deferred outflows related to net pension liability	2,228,501
Deferred inflows related to net other postemployment benefits liability	(1,041,585)
Deferred inflows related to net pension liability	(3,438,977)

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the government funds:	
Bonds and notes payable	(11,933,000)
Unamortized bond premium	(890,430)
Lease liabilities	(429,623)
Post-closing landfill monitoring costs	(124,500)
Compensated absences	(873,326)
Net other postemployment benefits liability	(8,819,363)
Net pension liability	<u>(13,632,017)</u>

Net Position of Governmental Activities	<u>\$ 15,496,465</u>
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See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 2022**

	General Fund	Welcome Center	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 24,986,612	\$ -	\$ -	\$ 24,986,612
Intergovernmental	1,347,246	-	2,370,885	3,718,131
Excise taxes	2,626,295	-	21,518	2,647,813
Licenses and permits	515,909	-	-	515,909
Departmental and other revenue	1,083,621	-	942,679	2,026,300
Penalties and interest on taxes	125,442	-	-	125,442
Fines and forfeitures	128,055	-	-	128,055
Investment gain or (loss)	10,477	-	(8,997)	1,480
Contributions and donations	-	-	160,078	160,078
Total Revenues	<u>30,823,657</u>	<u>-</u>	<u>3,486,163</u>	<u>34,309,820</u>
Expenditures:				
Current:				
General government	1,743,224	-	531,302	2,274,526
Public safety	6,107,154	-	458,967	6,566,121
Education	15,114,485	-	-	15,114,485
Public works	1,736,268	2,703,256	999,219	5,438,743
Health and human services	532,390	-	200,528	732,918
Culture and recreation	532,190	-	82,154	614,344
Community development	-	-	769,219	769,219
Fringe and pension benefits	3,298,771	-	3,215	3,301,986
State and county tax assessments	161,065	-	-	161,065
Debt service:				
Principal	795,000	-	-	795,000
Interest	521,916	-	-	521,916
Total Expenditures	<u>30,542,463</u>	<u>2,703,256</u>	<u>3,044,604</u>	<u>36,290,323</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>281,194</u>	<u>(2,703,256)</u>	<u>441,559</u>	<u>(1,980,503)</u>
Other Financing Sources (Uses):				
Transfers in	141,785	500,000	415,000	1,056,785
Transfers out	(845,000)	-	(851,597)	(1,696,597)
Premium received from debt issuance	-	29,500	-	29,500
Total Other Financing Sources (Uses)	<u>(703,215)</u>	<u>529,500</u>	<u>(436,597)</u>	<u>(610,312)</u>
Net Change in Fund Balances	(422,021)	(2,173,756)	4,962	(2,590,815)
Fund Balances - Beginning	<u>5,335,509</u>	<u>(1,635,445)</u>	<u>2,165,506</u>	<u>5,865,570</u>
Fund Balances - Ending	<u>\$ 4,913,488</u>	<u>\$ (3,809,201)</u>	<u>\$ 2,170,468</u>	<u>\$ 3,274,755</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (2,590,815)**

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. The net amounts are reflected here as reconciling items:

Capital outlays	\$ 4,496,799	
Depreciation/amortization	<u>(1,508,727)</u>	
Net effect of reporting capital assets		2,988,072

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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Repayments of debt principal	795,000	
Payments of lease liability principal	173,566	
Amortization of bond and note premiums	<u>137,804</u>	
Net effect of reporting long-term debt		1,106,370

Revenues in the Statement of Activities that do not provide current financial resources are reported as unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue of various types of accounts receivable differ between the two statements.

The amount presented represents the difference in unavailable revenue. (374,776)

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:

Post-closing landfill monitoring costs	20,000	
Other postemployment benefits	1,330,637	
Pension benefits	<u>(372,233)</u>	
Net effect of reporting long-term liabilities		<u>978,404</u>

Change in Net Position of Governmental Activities **\$ 2,107,255**

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,116,238	\$ 10,635,772	\$ 13,752,010
Receivables, net:			
User charges	757,961	692,102	1,450,063
Betterments	-	39,238	39,238
Total current assets	<u>3,874,199</u>	<u>11,367,112</u>	<u>15,241,311</u>
Noncurrent assets:			
Receivables, net:			
Betterments	-	791,429	791,429
Net other postemployment benefit asset	29,262	611	29,873
Land	369,002	1,383,999	1,753,001
Construction in progress	2,704,281	14,358,325	17,062,606
Capital assets, net of depreciation/amortization	<u>15,118,152</u>	<u>17,286,128</u>	<u>32,404,280</u>
Total noncurrent assets	<u>18,220,697</u>	<u>33,820,492</u>	<u>52,041,189</u>
Total Assets	<u>22,094,896</u>	<u>45,187,604</u>	<u>67,282,500</u>
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	5,309	88,289	93,598
Related to net pension liability	<u>58,222</u>	<u>241,914</u>	<u>300,136</u>
Total Deferred Outflows of Resources	<u>63,531</u>	<u>330,203</u>	<u>393,734</u>
Liabilities			
Current liabilities:			
Warrants and accounts payable	157,984	1,456,919	1,614,903
Accrued payroll and withholdings	12,675	20,508	33,183
Accrued interest expense	127,753	162,202	289,955
Other liabilities	2,000	-	2,000
Bond anticipation notes payable	1,000,000	5,000,000	6,000,000
Bonds and notes payable	917,803	771,414	1,689,217
Compensated absences	-	16,356	16,356
Total current liabilities	<u>2,218,215</u>	<u>7,427,399</u>	<u>9,645,614</u>
Noncurrent liabilities:			
Bonds and notes payable	9,806,248	9,638,088	19,444,336
Compensated absences	-	49,067	49,067
Net pension liability	<u>356,150</u>	<u>1,479,819</u>	<u>1,835,969</u>
Total noncurrent liabilities	<u>10,162,398</u>	<u>11,166,974</u>	<u>21,329,372</u>
Total Liabilities	<u>12,380,613</u>	<u>18,594,373</u>	<u>30,974,986</u>
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	1,953	32,472	34,425
Related to net pension liability	<u>89,847</u>	<u>373,317</u>	<u>463,164</u>
Total Deferred Inflows of Resources	<u>91,800</u>	<u>405,789</u>	<u>497,589</u>
Net Position			
Net investment in capital assets	7,072,152	18,967,955	26,040,107
Restricted for debt service	-	958,924	958,924
Unrestricted	<u>2,613,862</u>	<u>6,590,766</u>	<u>9,204,628</u>
Total Net Position	<u>\$ 9,686,014</u>	<u>\$ 26,517,645</u>	<u>\$ 36,203,659</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues:			
Charges for services	\$ 2,404,164	\$ 2,211,498	\$ 4,615,662
Other income	80,667	46,788	127,455
Total Operating Revenues	<u>2,484,831</u>	<u>2,258,286</u>	<u>4,743,117</u>
Operating Expenses:			
Operating costs	1,541,284	815,119	2,356,403
Depreciation/amortization	535,267	880,480	1,415,747
Total Operating Expenses	<u>2,076,551</u>	<u>1,695,599</u>	<u>3,772,150</u>
Operating Income	<u>408,280</u>	<u>562,687</u>	<u>970,967</u>
Nonoperating Revenues (Expenses):			
Access fees	177,496	97,351	274,847
Interest income	11,870	47,674	59,544
Interest expense	(186,904)	(192,100)	(379,004)
Total Nonoperating Revenues (Expenses)	<u>2,462</u>	<u>(47,075)</u>	<u>(44,613)</u>
Income Before Capital Contributions and Transfers	<u>410,742</u>	<u>515,612</u>	<u>926,354</u>
Intergovernmental capital grants	75,000	-	75,000
Betterments	-	71,118	71,118
Transfers in	709,812	-	709,812
Transfers out	(35,000)	(35,000)	(70,000)
Change in Net Position	<u>1,160,554</u>	<u>551,730</u>	<u>1,712,284</u>
Total Net Position - Beginning, as restated (see Note V)	<u>8,525,460</u>	<u>25,965,915</u>	<u>34,491,375</u>
Total Net Position - Ending	<u>\$ 9,686,014</u>	<u>\$ 26,517,645</u>	<u>\$ 36,203,659</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from users	\$ 2,437,494	\$ 2,209,164	\$ 4,646,658
Payments to employees	(131,150)	941,325	810,175
Payments to vendors	(2,071,923)	(2,021,601)	(4,093,524)
Net Cash Provided By (Used In) Operating Activities	234,421	1,128,888	1,363,309
Cash Flows from Noncapital Related Financing Activities:			
Net transfers	674,812	(35,000)	639,812
Net Cash (Used In) Noncapital Financing Activities	674,812	(35,000)	639,812
Cash Flows from Capital and Related Financing Activities:			
Issuance of bond anticipation notes	1,000,000	5,000,000	6,000,000
Payment of bond anticipation notes	(1,000,000)	-	(1,000,000)
Premiums from issuance of bonds and notes	(107,529)	(192,508)	(300,037)
Receipts from betterments	-	298,880	298,880
Other nonoperating income	177,496	97,351	274,847
Government subsidies	75,000	-	75,000
Acquisition and construction of capital assets	(1,881,461)	(6,176,140)	(8,057,601)
Principal payments on bonds and other long-term notes	(804,315)	(595,000)	(1,399,315)
Interest expense	(203,631)	(163,342)	(366,973)
Net Cash (Used In) Capital and Related Financing Activities	(2,744,440)	(1,730,759)	(4,475,199)
Cash Flows from Investing Activities:			
Interest income	11,870	47,674	59,544
Net Cash Provided By Investing Activities	11,870	47,674	59,544
Net Change in Cash and Cash Equivalents	(1,823,337)	(589,197)	(2,412,534)
Cash and Cash Equivalents:			
Beginning of year	\$ 4,939,575	11,224,969	16,164,544
End of year	\$ 3,116,238	\$ 10,635,772	\$ 13,752,010
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:			
Operating income	\$ 408,280	\$ 562,687	\$ 970,967
Depreciation/amortization	535,267	880,480	1,415,747
Changes in assets and deferred outflows and liabilities and deferred inflows:			
Receivables	(47,337)	(49,122)	(96,459)
Deferred outflows of resources	(4,789)	127,036	122,247
Deferred inflows of resources	61,229	107,188	168,417
Accounts payable, accrued expenses and other liabilities	(718,229)	(499,381)	(1,217,610)
Net Cash Provided By (Used In) Operating Activities	\$ 234,421	\$ 1,128,888	\$ 1,363,309

The notes to the financial statements are an integral part of this statement.

TOWN OF SALISBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Affordable Housing Trust	Other Postemployment Benefits Trust
Assets		
Cash and cash equivalents	\$ 174,827	\$ -
Money market mutual funds	-	3,481
Investments	1,150,354	-
Fixed income mutual funds	-	177,633
Equity mutual funds	-	477,548
Notes receivable	335,000	-
	<u>1,660,181</u>	<u>658,662</u>
Total Assets	<u>1,660,181</u>	<u>658,662</u>
Liabilities		
Warrants and accounts payable	45,000	-
	<u>45,000</u>	<u>-</u>
Total Liabilities	<u>45,000</u>	<u>-</u>
Net Position		
Held in trust for affordable housing purposes	1,615,181	-
Restricted for other postemployment benefits	-	658,662
	<u>-</u>	<u>658,662</u>
Total Net Position	<u><u>\$ 1,615,181</u></u>	<u><u>\$ 658,662</u></u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022**

	Affordable Housing Trust	Other Postemployment Benefits Trust
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ -	\$ 595,271
Other	223,687	-
	<u> </u>	<u> </u>
Total contributions	223,687	595,271
	<u> </u>	<u> </u>
Investment income:		
Interest, dividends, realized gains/losses	(21,699)	(85,341)
Net investment earnings (losses)	(21,699)	(85,341)
	<u> </u>	<u> </u>
Total Net Additions	201,988	509,930
	<u> </u>	<u> </u>
Deductions:		
Benefit payments	-	370,270
Public housing assistance	75,923	-
	<u> </u>	<u> </u>
Total Deductions	75,923	370,270
	<u> </u>	<u> </u>
Change in Net Position	126,065	139,660
Net Position - Beginning	1,489,116	519,002
	<u> </u>	<u> </u>
Net Position - Ending	<u><u>\$ 1,615,181</u></u>	<u><u>\$ 658,662</u></u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2022

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located in Essex County, approximately 40 miles north of Boston. The Town is bordered on its northern side by the State of New Hampshire and on its eastern side by the Atlantic Ocean. The Town was incorporated in 1638. The governing structure utilizes an open town meeting forum, with an elected five-member Board of Selectmen, and an appointed Town Manager who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12 through a regional school district, water and sewer services, street maintenance, and parks and recreational facilities. The water and sewer services are funded almost entirely with user charges and are provided via connections to Town owned facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Triton Regional School District that provides educational services to three area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2022, the Town's share of the operating and debt service expenses was \$14,455,212. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained from the District's administrative office located at 112 Elm Street, Byfield, MA 01922.

\$615,901 and \$43,372 was also paid to the Whittier Regional School District and the Essex North Shore Agricultural and Technical School, respectively. Both are technical high schools that service a much smaller portion of the Town's student population.

B. Government-Wide and Fund Financial Statements

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

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 government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds if they exist are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

1. The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities, and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
2. The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 a liability is incurred. Property taxes are recognized as revenues in the fiscal 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 given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., measurable, and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and recognized as revenue at that time.

The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The government reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Welcome Center Fund – Accounts for all the activity associated with the construction of a Welcome/Visitors’ Center and public restrooms facility at Salisbury Beach.

Nonmajor Governmental Funds - consist of other special revenue 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:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund – used to account for financial resources that are restricted, committed or assigned to expenditures for other capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs, and depreciation/amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – is used to account for the operation of the water department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation/amortization, are financed, or recovered primarily through user charges.

Sewer Enterprise Fund – is used to account for the operation of the sewer department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation/amortization, are financed, or recovered primarily through user charges.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

Affordable Housing Trust Fund – is used to account for funds held in trust for affordable housing purposes.

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits, or OPEB, for retirees, such as health and life insurance.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of its investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for doubtful collections for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectibles comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles (including leased vehicles), and infrastructure (e.g., roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased, leased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases, present value of leased vehicles and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater

than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5-7 years
Vehicles	5-10 years
Infrastructure	25-50 years

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 in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

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 state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of financial resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Town has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and changes in the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in pension expense and benefits expense in future years as more fully described later in this report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of financial resources. This separate financial statement element represents an

acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time.

The Town has two types of items that are reported on the government-wide statement of net position which relate to inflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions and OPEB items will be recognized in pension and benefits expense in future years as more fully described later in this report.

The Town also reports one type of item that arises under a modified accrual basis of accounting which qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: (1) property taxes, (2) excise taxes, and (3) other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation/amortization, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Other purposes represent assets that are restricted by donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the Town Meeting through Town Meeting Votes, which represent the most binding constraint that give rise to committed fund balance. Those committed amounts cannot be used for

any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but they are neither restricted nor committed. The Board of Selectmen has by ordinance authorized the Finance Director to assign fund balance. The Town Meeting may also assign fund balance as it does when it appropriates fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,207,848 at June 30, 2022 and is reported as unassigned fund balance in the General Fund.

Additionally, the Town maintains a capital stabilization fund in the amount of \$198,957 to provide funding for capital improvements which may be used upon a two-thirds vote of the Town Meeting and is also reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Finance Director as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed.

Encumbrances of funds already restricted or committed are included within the classification of those fund balances and not reported separately.

The Town reports \$1,296,102 of encumbrances from Town Meeting votes in addition to \$6,500 that has been reserved for subsequent year expenditures in the general fund as committed. The Town also reports \$10,103 of encumbrances approved by the Finance Director from normal purchasing activity as assigned.

There are no encumbrances reported in the other funds.

The following represent the categorizations of fund balance:

	General	Welcome Center Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 51,000	\$ 51,000
Restricted:				
General government	-	-	579,628	579,628
Public safety	-	-	382,042	382,042
Public works	-	-	538,861	538,861
Health and human services	-	-	143,296	143,296
Culture and recreation	-	-	192,934	192,934
Community development	-	-	106,980	106,980
Committed:				
General government	463,474	-	-	463,474
Public safety	72,320	-	-	72,320
Public works	740,308	-	-	740,308
Culture and recreation	20,000	-	-	20,000
Pension and fringe benefits	-	-	361,464	361,464
Subsequent year expenditures	6,500	-	-	6,500
Assigned:				
Public works	9,103	-	-	9,103
Pension and fringe benefits	1,000	-	-	1,000
Unassigned	3,600,783	(3,809,201)	(185,737)	(394,155)
Totals	\$ 4,913,488	\$ (3,809,201)	\$ 2,170,468	\$ 3,274,755

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits in its Welcome Center fund and Nonmajor Governmental funds in the amount of \$3,809,201 and \$185,737, respectively. These deficits are expected to be funded through future bond proceeds and grant reimbursements.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits 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 balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Town may not be able to recover deposits or collateral securities in the possession of an outside party. The Town manages this risk through its prudent selection of depository institutions. The Town also subscribes to the Veribanc Rating Service, which is used to continuously evaluate and monitor the safety ratings of all banks that hold the Town's liquid cash deposits. At year-end, the carrying amount of the Town's deposits was \$23,435,004 and the bank balance was \$23,872,076. Of the Town's bank balance, \$16,617,754 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does maintain an investment policy for custodial credit risk relative to investment holdings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The Town's investments in negotiable certificates of deposit are fully covered by federal depository insurance.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors). The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2022:

	Totals	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 850,129	\$ 637,073	\$ 213,056	\$ -
EFT Fixed income	189,551	-	189,551	-
Corporate bonds	1,228,603	-	1,228,603	-
Fixed income mutual funds	177,633	-	177,633	-
Negotiable certificates of deposit	99,072	-	99,072	-
Total debt securities	2,544,988	637,073	1,907,915	-
Equity securities:				
Common stock	577,283	577,283	-	-
Equity mutual funds	416,518	-	416,518	-
Total equity securities	993,801	577,283	416,518	-
<hr/>				
Total investments by fair value level	\$ 3,538,789	\$ 1,214,356	\$ 2,324,433	\$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town’s policy is to mitigate the interest rate risk by managing the duration of all investments within its accounts.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. The Town does not have a defined limit on the amount that may be invested in any one issuer; however, the Town’s policy is to reduce concentration of credit risk by diversifying its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. During the fiscal year, the Town did not maintain balances in any single investment that would represent more than 5% of the Town’s total investments.

Credit Risk – Credit risk is the risk of loss due to the failure of the security issuer or backer. The Town manages credit risk for deposits and investments through its careful selection of depository institutions and investment instruments. The Town also follows the prudent investor standard and invests only in financial instruments that are allowable under Massachusetts General Laws. Further, the Town will only purchase investment grade securities with a high concentration in securities rated A or better.

At June 30, 2022, the Town had the following investments and maturities:

Investments	Totals	Time Until Maturity		
		< 1 Year	1 - 5 Years	6 - 10 Years
Corp. Fixed Income Securities	\$ 1,228,603	\$ 135,758	\$ 862,916	\$ 229,929
Government Obligations	850,129	391,292	458,837	-
EFT Fixed income	189,551	-	169,489	20,062
Fixed Income Mutual Funds	177,633	-	88,058	89,575
Certificates of Deposit	99,072	50,461	48,611	-
Total investments with maturities	2,544,988	<u>\$ 577,511</u>	<u>\$ 1,627,911</u>	<u>\$ 339,566</u>
Other Investments:				
Equities	577,283			
Equity Mutual Funds	<u>416,518</u>			
Total investment without maturities	993,801			
Total Investments	<u>\$ 3,538,789</u>			

At June 30, 2022, the credit quality ratings of investments were as follows:

Bond Ratings	Corporate Fixed Income	Government Obligations	EFT Fixed Income	Fixed Income Mutual Funds	Certificate of Deposit
Aaa	\$ 115,223	\$ 850,129	\$ -	\$ -	\$ -
Aa3	65,243	-	-	-	-
A1	100,019	-	-	-	-
A2	480,708	-	-	-	-
Baa1	214,180	-	-	-	-
Baa2	253,230	-	-	-	-
Not rated	-	-	189,551	177,633	99,072
	<u>\$ 1,228,603</u>	<u>\$ 850,129</u>	<u>\$ 189,551</u>	<u>\$ 177,633</u>	<u>\$ 99,072</u>

B. Receivables

Receivables as of year-end for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables and other asset type:			
Real estate and personal property taxes	\$ 314,157	\$ -	\$ 314,157
Tax deferrals	92,961	-	92,961
Tax liens	390,470	-	390,470
Excise taxes	168,352	-	168,352
Department and other	1,763	-	1,763
Intergovernmental	551,924	-	551,924
Tax foreclosures	482,719	-	482,719
Total	<u>\$ 2,002,346</u>	<u>\$ -</u>	<u>\$ 2,002,346</u>

Receivables as of year-end for the Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees	\$ 756,421	\$ -	\$ 756,421
Water liens	1,540	-	1,540
Sewer user fees	672,294	-	672,294
Sewer liens	19,808	-	19,808
Sewer betterments - apportioned	39,238	-	39,238
Sewer betterments - unapportioned	791,429	-	791,429
Total	<u>\$ 2,280,730</u>	<u>\$ -</u>	<u>\$ 2,280,730</u>

Unapportioned sewer betterments are amounts that are expected to be billed in future years for sewer projects that have been funded through bond issuances.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Nonmajor Governmental Funds	Total
Receivables and other asset type:			
Real estate and personal property taxes	\$ 314,157	\$ -	\$ 314,157
Tax deferrals	92,961	-	92,961
Tax liens	390,470	-	390,470
Excise taxes	168,352	-	168,352
Tax foreclosures	482,719	-	482,719
Total	<u>\$ 1,448,659</u>	<u>\$ -</u>	<u>\$ 1,448,659</u>

C. Capital Assets

Capital asset activity of the Town for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,818,550	\$ -	\$ -	\$ 2,818,550
Construction in process	5,407,480	3,021,324	-	8,428,804
Total capital assets not being depreciated/amortized	8,226,030	3,021,324	-	11,247,354
Capital assets being depreciated/amortized:				
Buildings and improvements	23,130,448	39,646	-	23,170,094
Land improvements	1,616,658	25,388	-	1,642,046
Infrastructure	19,343,462	1,278,045	-	20,621,507
Machinery and equipment	3,782,897	12,090	-	3,794,987
Vehicles	4,259,778	120,306	-	4,380,084
Total capital assets being depreciated/amortized	52,133,243	1,475,475	-	53,608,718
Less accumulated depreciation/amortization for:				
Buildings and improvements	(4,459,932)	(549,800)	-	(5,009,732)
Land improvements	(143,607)	(41,051)	-	(184,658)
Infrastructure	(6,422,549)	(403,257)	-	(6,825,806)
Machinery and equipment	(2,292,056)	(260,854)	-	(2,552,910)
Vehicles	(3,133,808)	(253,765)	-	(3,387,573)
Total accumulated depreciation/amortization	(16,451,952)	(1,508,727)	-	(17,960,679)
Total capital assets being depreciated amortized, net	35,681,291	(33,252)	-	35,648,039
Governmental activities capital assets, net	\$ 43,907,321	\$ 2,988,072	\$ -	\$ 46,895,393
	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business Activities - All:</i></u>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,753,001	\$ -	\$ -	\$ 1,753,001
Construction in process	10,924,665	6,137,941	-	17,062,606
Total capital assets not being depreciated/amortized	12,677,666	6,137,941	-	18,815,607
Capital assets being depreciated/amortized:				
Buildings and improvements	39,100	-	-	39,100
Infrastructure	61,505,209	1,827,295	-	63,332,504
Machinery and equipment	1,258,816	38,199	-	1,297,015
Vehicles	287,082	54,166	-	341,248
Total capital assets being depreciated/amortized	63,090,207	1,919,660	-	65,009,867
Less accumulated depreciation/amortization for:				
Buildings and improvements	(9,479)	(1,263)	-	(10,742)
Infrastructure	(30,116,195)	(1,330,749)	-	(31,446,944)
Machinery and equipment	(799,584)	(69,318)	-	(868,902)
Vehicles	(264,582)	(14,417)	-	(278,999)
Total accumulated depreciation/amortization	(31,189,840)	(1,415,747)	-	(32,605,587)
Total capital assets being depreciated amortized, net	31,900,367	503,913	-	32,404,280
Business activities capital assets, net	\$ 44,578,033	\$ 6,641,854	\$ -	\$ 51,219,887

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities: Water</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 369,002	\$ -	\$ -	\$ 369,002
Construction in process	2,704,281	-	-	2,704,281
Total capital assets not being depreciated/amortized	3,073,283	-	-	3,073,283
Capital assets being depreciated/amortized:				
Infrastructure	20,542,135	1,827,295	-	22,369,430
Machinery and equipment	622,748	-	-	622,748
Vehicles	-	54,166	-	54,166
Total capital assets being depreciated/amortized	21,164,883	1,881,461	-	23,046,344
Less accumulated depreciation/amortization for:				
Infrastructure	(6,851,294)	(503,976)	-	(7,355,270)
Machinery and equipment	(541,631)	(25,874)	-	(567,505)
Vehicles	-	(5,417)	-	(5,417)
Total accumulated depreciation/amortization	(7,392,925)	(535,267)	-	(7,928,192)
Total Water capital assets being depreciated/amortized, net	13,771,958	1,346,194	-	15,118,152
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities: Sewer</u>				
Capital assets not being depreciated/amortized:				
Land	1,383,999	-	-	1,383,999
Construction in process	8,220,384	6,137,941	-	14,358,325
Total capital assets not being depreciated/amortized	9,604,383	6,137,941	-	15,742,324
Capital assets being depreciated/amortized:				
Buildings	39,100	-	-	39,100
Infrastructure	40,963,074	-	-	40,963,074
Machinery and equipment	636,068	38,199	-	674,267
Vehicles	287,082	-	-	287,082
Total capital assets being depreciated/amortized	41,925,324	38,199	-	41,963,523
Less accumulated depreciation/amortization for:				
Buildings	(9,479)	(1,263)	-	(10,742)
Infrastructure	(23,264,901)	(826,773)	-	(24,091,674)
Machinery and equipment	(257,953)	(43,444)	-	(301,397)
Vehicles	(264,582)	(9,000)	-	(273,582)
Total accumulated depreciation/amortization	(23,796,915)	(880,480)	-	(24,677,395)
Total Sewer capital assets being depreciated/amortized, net	18,128,409	(842,281)	-	17,286,128
Total Business-type activities - capital assets, net	\$ 44,578,033	\$ 6,641,854	\$ -	\$ 51,219,887
Depreciation/amortization was charged to functions/programs as follows:				
<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>		
General government	\$ 105,341	Water	\$ 535,267	
Public safety	643,645	Sewer	880,480	
Public works	512,643	Total Business-Type Activities	\$ 1,415,747	
Health & Human Services	3,211			
Culture and recreation	243,887			
Total Governmental Activities	\$ 1,508,727			

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2022, are summarized as follows:

Transfers Out	Transfers In				Total	
	General Fund	Welcome Center	Nonmajor Funds	Water Fund		
General Fund	\$ -	\$ 500,000	\$ 345,000	\$ -	\$ 845,000	(1)
Nonmajor Governmental Funds	141,785	-	-	709,812	851,597	(2)
Water Enterprise Fund	-	-	35,000	-	35,000	(3)
Sewer Enterprise Fund	-	-	35,000	-	35,000	(3)
Total	<u>\$ 141,785</u>	<u>\$ 500,000</u>	<u>\$ 415,000</u>	<u>\$709,812</u>	<u>\$ 1,766,597</u>	

(1) Transfer to welcome center fund and nonmajor funds to supplement capital projects and other activities.

(2) Transfers to general fund to supplement operating budgets and to water enterprise for ARPA funding of capital project.

(3) Transfers to nonmajor funds to fund compensated absence reserve and unemployment fund.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2022, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
BAN	1.50%	Matured	\$ 5,200,000	\$ -	\$ (5,200,000)	\$ -
BAN	0.60%	Matured	486,750	-	(486,750)	-
BAN	1.00%	09/08/22	-	5,171,750	-	5,171,750
Total Governmental Notes			<u>5,686,750</u>	<u>5,171,750</u>	<u>(5,686,750)</u>	<u>5,171,750</u>
BAN	1.50%	Matured	1,000,000	-	(1,000,000)	-
BAN	1.00%	09/08/22	-	1,000,000	-	1,000,000
Total Business-Type Notes - Water			<u>1,000,000</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>1,000,000</u>
BAN	1.00%	09/08/22	-	5,000,000	-	5,000,000
Total Business-Type Notes - Sewer			<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
Total Business-Type Notes - All			<u>1,000,000</u>	<u>6,000,000</u>	<u>(1,000,000)</u>	<u>6,000,000</u>
Total Notes Payable			<u>\$ 6,686,750</u>	<u>\$ 11,171,750</u>	<u>\$ (6,686,750)</u>	<u>\$ 11,171,750</u>

Temporary notes outstanding at year end were issued for the beach visitors center (\$4,685,000), Rings Island neighborhood flood resiliency (\$486,750), Bridge Street water mains (\$1,000,000), and Sewer Construction (\$5,000,000).

F. Long-Term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the activity in the long-term liabilities for the year ended June 30, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year
Governmental Activities:					
Bond and note indebtedness	\$ 12,728,000	\$ -	\$ (795,000)	11,933,000	\$ 800,000
Unamortized bond premium	1,028,234	-	(137,804)	890,430	125,421
Lease liabilities	603,189	-	(173,566)	429,623	179,444
Post-closure landfill monitoring	144,500	-	(20,000)	124,500	20,000
Compensated absences	873,326	218,332	(218,332)	873,326	218,332
Other postemployment benefits	8,752,580	2,831,977	(2,765,194)	8,819,363	-
Net pension liability	15,548,528	4,227,548	(6,144,059)	13,632,017	-
Total Governmental Activities	<u>\$ 39,678,357</u>	<u>\$ 7,277,857</u>	<u>\$(10,253,955)</u>	<u>\$ 36,702,259</u>	<u>\$ 1,343,197</u>
Business-type Activities: Water					
Bond and note indebtedness	\$ 8,530,000	\$ -	\$ (650,000)	\$ 7,880,000	\$ 665,000
Notes from direct borrowings/placements	2,458,575	-	(154,315)	2,304,260	156,718
Unamortized bond premium	647,320	-	(107,529)	539,791	96,085
Net pension liability	406,221	110,449	(160,520)	356,150	-
Total Business-type Activities: Water	<u>12,042,116</u>	<u>110,449</u>	<u>(1,072,364)</u>	<u>11,080,201</u>	<u>917,803</u>
Business-type Activities: Sewer					
Bond and note indebtedness	9,787,000	-	(595,000)	9,192,000	595,000
Unamortized bond premium	1,410,010	-	(192,508)	1,217,502	176,414
Compensated absences	65,423	16,536	(16,536)	65,423	16,356
Net pension liability	1,687,865	458,920	(666,966)	1,479,819	-
Total Business-type Activities: Sewer	<u>12,950,298</u>	<u>475,456</u>	<u>(1,471,010)</u>	<u>11,954,744</u>	<u>787,770</u>
Total Business-type Activities: All	<u>\$ 24,992,414</u>	<u>\$ 585,905</u>	<u>\$ (2,543,374)</u>	<u>\$ 23,034,945</u>	<u>\$ 1,705,573</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective business-type funds.

Below is a summary of outstanding long-term debt obligations for the year ended June 30, 2022:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds	2.0 - 5.0%	\$ 12,520,000	\$ -	\$ (760,000)	\$ 11,760,000
General Obligation Refunding Bonds	2.0 - 5.0%	208,000	-	(35,000)	173,000
Total Governmental Bond and Note Indebtedness		12,728,000	-	(795,000)	11,933,000
<i><u>Business-type Activities - Water</u></i>					
General Obligation Bonds	2.0 - 5.0%	2,715,000	-	(145,000)	2,570,000
General Obligation Refunding Bonds	3.5 - 5.0%	5,815,000	-	(505,000)	5,310,000
MCWT Note Payable	2.0%	1,312,575	-	(118,502)	1,194,073
USDA Loan	1.5%	1,146,000	-	(35,813)	1,110,187
Total Water Bond and Note Indebtedness		10,988,575	-	(804,315)	10,184,260
<i><u>Business-type Activities - Sewer</u></i>					
General Obligation Bonds	3.0 - 4.0%	8,160,000	-	(430,000)	7,730,000
General Obligation Refunding Bonds	2.0 - 5.0%	1,627,000	-	(165,000)	1,462,000
Total Sewer Bond and Note Indebtedness		9,787,000	-	(595,000)	9,192,000
Total Business-type Bond and Note Indebtedness		20,775,575	-	(1,399,315)	19,376,260
Total Long-Term Bond and Note Indebtedness - All		\$ 33,503,575	\$ -	\$ (2,194,315)	\$ 31,309,260

Payments on general long-term debt obligations due in future years consist of the following:

<i>Governmental Activities - Total Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Grand Total
	GO Bonds	Direct	Total	GO Bonds	Direct	Total	
2023	\$ 800,000	\$ -	\$ 800,000	\$ 405,185	\$ -	\$ 405,185	\$ 1,205,185
2024	805,000	-	805,000	374,685	-	374,685	1,179,685
2025	810,000	-	810,000	344,035	-	344,035	1,154,035
2026	805,000	-	805,000	305,760	-	305,760	1,110,760
2027	808,000	-	808,000	270,560	-	270,560	1,078,560
2028-2032	3,825,000	-	3,825,000	902,919	-	902,919	4,727,919
2033-2037	3,565,000	-	3,565,000	321,934	-	321,934	3,886,934
2038-2040	515,000	-	515,000	8,850	-	8,850	523,850
Total	\$ 11,933,000	\$ -	\$ 11,933,000	\$ 2,933,928	\$ -	\$ 2,933,928	\$ 14,866,928

<i>Business-type Activities: Water - Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Grand Total
	GO Bonds	Direct	Total	GO Bonds	Direct	Total	
2023	\$ 665,000	\$ 156,718	\$ 821,718	\$ 226,100	\$ 39,382	\$ 265,482	\$ 1,087,200
2024	685,000	159,168	844,168	197,650	36,402	234,052	1,078,220
2025	710,000	161,668	871,668	168,300	33,373	201,673	1,073,341
2026	725,000	164,219	889,219	138,150	30,294	168,444	1,057,663
2027	745,000	166,823	911,823	113,300	27,166	140,466	1,052,289
2028-2032	3,230,000	736,835	3,966,835	283,150	88,376	371,526	4,338,361
2033-2037	700,000	185,837	885,837	84,000	51,168	135,168	1,021,005
2038-2042	420,000	179,065	599,065	16,800	37,602	54,402	653,467
2043-2047	-	179,065	179,065	-	24,173	24,173	203,238
2048-2052	-	179,065	179,065	-	10,743	10,743	189,808
2053	-	35,797	35,797	-	537	537	36,334
Total	\$ 7,880,000	\$ 2,304,260	\$ 10,184,260	\$ 1,227,450	\$ 379,216	\$ 1,606,666	\$ 11,790,926

Business-type Activities: Sewer - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Grand Total
	GO Bonds	Direct	Total	GO Bonds	Direct	Total	
2023	\$ 595,000	\$ -	\$ 595,000	\$ 326,100	\$ -	\$ 326,100	\$ 921,100
2024	600,000	-	600,000	296,350	-	296,350	896,350
2025	595,000	-	595,000	266,350	-	266,350	861,350
2026	595,000	-	595,000	236,600	-	236,600	831,600
2027	587,000	-	587,000	206,850	-	206,850	793,850
2028-2032	2,790,000	-	2,790,000	610,200	-	610,200	3,400,200
2033-2037	2,150,000	-	2,150,000	257,000	-	257,000	2,407,000
2038-2040	1,280,000	-	1,280,000	51,100	-	51,100	1,331,100
Total	<u>\$ 9,192,000</u>	<u>\$ -</u>	<u>\$ 9,192,000</u>	<u>\$ 2,250,550</u>	<u>\$ -</u>	<u>\$ 2,250,550</u>	<u>\$ 11,442,550</u>

Business-type Activities - Total Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Grand Total
	GO Bonds	Direct	Total	GO Bonds	Direct	Total	
2023	\$ 1,260,000	\$ 156,718	\$ 1,416,718	\$ 552,200	\$ 39,382	\$ 591,582	\$ 2,008,300
2024	1,285,000	159,168	1,444,168	494,000	36,402	530,402	1,974,570
2025	1,305,000	161,668	1,466,668	434,650	33,373	468,023	1,934,691
2026	1,320,000	164,219	1,484,219	374,750	30,294	405,044	1,889,263
2027	1,332,000	166,823	1,498,823	320,150	27,166	347,316	1,846,139
2028-2032	6,020,000	736,835	6,756,835	893,350	88,376	981,726	7,738,561
2033-2037	2,850,000	185,837	3,035,837	341,000	51,168	392,168	3,428,005
2038-2042	1,700,000	179,065	1,879,065	67,900	37,602	105,502	1,984,567
2043-2047	-	179,065	179,065	-	24,173	24,173	203,238
2048-2052	-	179,065	179,065	-	10,743	10,743	189,808
2053	-	35,797	35,797	-	537	537	36,334
Total	<u>\$ 17,072,000</u>	<u>\$ 2,304,260</u>	<u>\$ 19,376,260</u>	<u>\$ 3,478,000</u>	<u>\$ 379,216</u>	<u>\$ 3,857,216</u>	<u>\$ 23,233,476</u>

Authorized and Unissued Debt – At June 30, 2022, the Town carried authorized and unissued debt as follows:

Project	Amount
Water DWS-07-09	\$ 62,838
Town Creek Culvert	152,292
Energy Conservation	68,585
Police Station Construction	300,000
Park Land Improvements	344
Partridge Brook Park Phase II	700,000
Rail Trail Extension	40,819
Lafayette Road Sewer System	6,500,000
Ring's Island Flood Mitigation	5,100,000
Meaders Neighborhood Water Lines	900,000
Total authorized and unissued	<u>\$ 13,824,878</u>

The current debt limitation for the Town is over \$109 million, which is significantly in excess of the Town's outstanding general obligation debt.

G. Lease Liabilities

The Town has entered into non-cancelable leases for the purchase of several trucks and vehicles. These lease agreements qualify as lease liabilities for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Assets presently in use by the Town having been acquired through leases are as follows:

Asset	Governmental Activities
Police Interceptor	\$ 42,131
Fire Pumper Truck	498,799
DPW Dump Truck	182,220
Fire Pumper Truck	222,600
Police SUV	57,682
DPW Dump Truck	212,740
Police Ford Cruiser	54,893
DPW Dump Truck & Plow	58,641
Less: accumulated amortization	(601,892)
Total	<u>\$ 727,814</u>

Payments on lease liabilities due in future years consists of the following at June 30, 2022:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 179,444	\$ 13,571	\$ 193,015
2024	103,337	7,486	110,823
2025	91,135	4,400	95,535
2026	55,707	1,660	57,367
	<u>\$ 429,623</u>	<u>\$ 27,117</u>	<u>\$ 456,740</u>

III. Other Information

A. Retirement System

Plan Description – The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and administered by the Essex Regional Retirement Board. Stand-alone audited financial statements for the year ended December 31, 2021, were issued and may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers MA 01923.

Membership – Membership in the System as of December 31, 2021, was as follows:

Retired participants and beneficiaries receiving benefits	2,039
Inactive participants with a vested right to retirement benefits or entitled to a return of their employee contributions	972
Active participants	<u>3,118</u>
Total	<u>6,129</u>

Benefit Terms – The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. 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 directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform, with certain exceptions, from retirement system to retirement system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040 (the System's current funding schedule allows for full funding by June 30, 2035). Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed approximately \$1.8 million to the System in fiscal year 2022, which was the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 26.8% in fiscal year 2022.

Net Pension Liability – As of June 30, 2022, the Town reported a liability of \$15,467,986 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was

determined by an actuarial valuation as of January 1, 2022. These figures were rolled back by the independent actuary as of December 31, 2021. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the System relative to the projected contributions of all employers. The Town's proportion was approximately 4.45% as of December 31, 2021.

Pension Expense – The Town recognized approximately \$2.3 million in pension expense in the statement of activities in fiscal year 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual earnings	\$ -	\$ 3,428,841
Changes in assumptions	1,713,411	-
Changes in proportion differences	813,938	-
Differences between expected and actual experience	1,288	473,300
Totals	<u>\$ 2,528,637</u>	<u>\$ 3,902,141</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ 227,404
2024	(473,875)
2025	(648,636)
2026	(478,397)
Total	<u>\$ (1,373,504)</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the Retirement System'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.

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2022. The significant actuarial assumptions used in the January 1, 2022, actuarial valuation included:

Investment rate of return	Full prefunding: 7.0% per year, net of investment expenses
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	7.5% decreasing to 3.75% after 5 years of service
Cost of Living Adjustment	2% of first \$14,000 in 2021 and 3% of first \$16,000 thereafter
Pre-Retirement Mortality	RP-2014 Employee Mortality Table projected generationally with Scale MP 2021
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP 2021
Disabled Retiree Mortality	RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP 2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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.

The target allocations and projected arithmetic real rates of return for each major asset class after deducting inflation, but before investment expenses, are summarized in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity	22.00%	6.11%
International Equity	11.50%	6.49%
International Emerging Markets	4.50%	8.12%
Core fixed income	15.00%	0.38%
High Yield Fixed Income	8.00%	2.48%
Private Equity	15.00%	9.93%
Real Estate	10.00%	3.72%
Timberland	4.00%	3.44%
Hedge Fund, GTAA, Risk Parity	10.00%	2.63%
	<u>100.00%</u>	

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the current discount rate as well as using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net Pension Liability			
Discount Rate			
Current Rate	1% lower	Current	1% greater
7.00%	\$ 20,918,430	\$ 15,467,986	\$ 10,890,891

B. 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.

C. Other Postemployment Benefits (OPEB)

The Town administers a single employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements.

OPEB Plan disclosures that impact the Town’s net OPEB liability using a measurement date of June 30, 2022, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2022:

Active employees	95
Retirees and beneficiaries	70
Total	<u>165</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of premiums for both health and life insurance benefits. The remainder of the cost is funded by general revenues of the Town.

The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2022, the Town’s average contribution rate was approximately 8.09% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2022, using an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the as of June 30, 2022, were as follows:

Total OPEB Liability	\$ 9,448,152
Plan fiduciary net position	<u>(658,662)</u>
Net OPEB liability	<u>\$ 8,789,490</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.97%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.1% per year, net of investment expenses
Municipal bond rate	4.09% as of June 30, 2022
Discount Rate	6.1%, net of OPEB plan investment expense including inflation.
Inflation	2.50% annually as of June 30, 2022 and for future periods
Health Care Trend Rate	Getzen Model
Salary Increases	3.0% annually as of June 30, 2022 and for future periods
Cost of Living Adjustment	Not applicable
Pre-Retirement Mortality	RP-2014 Blue Collar Employees Mortality Table with Scale MP-2016, fully generational
Post-Retirement Mortality	RP-2014 Blue Collar Healthy Annuitants Mortality Table with Scale MP-2016, fully generational
Disabled Mortality	RP-2014 Mortality Table for Blue Collar Healthy Annuitants, fully generational
Actuarial Cost Method	Individual Entry Age Normal

Discount Rate – The discount rate used to measure the total OPEB liability increased to 6.1% from 5.0%. There were no other key changes in assumptions from the prior valuation.

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic Equity - Large Cap	24.50%	4.42%
Domestic Equity - Small/Mid Cap	14.75%	4.81%
International Equity - Developed Market	12.25%	4.91%
International Equity - Emerging Market	8.00%	5.58%
Domestic Fixed Income	22.75%	1.00%
International Fixed Income	5.25%	1.04%
Alternatives	9.25%	5.98%
Real Estate	2.75%	6.25%
Cash	0.50%	0.00%
	<u>100.00%</u>	
Real rate of return		3.85%
Inflation assumption		2.50%
Total nominal rate of return		6.35%
Investment expense		<u>0.25%</u>
Net investment return		<u>6.10%</u>

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

Net OPEB Liability			
Discount Rate			
Current Rate	1% lower	Current	1% greater
6.10%	\$ 10,191,870	\$ 8,789,490	\$ 7,653,512
Health Care Rate			
Current Rate	1% lower	Current	1% greater
Getzen Model	\$ 7,522,965	\$ 8,789,490	\$ 10,373,880

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the Town recognized OPEB income of \$2.3 million. Deferred outflows of resources and deferred inflows of resources related to OPEB on June 30, 2022, were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 963,006	\$ -
Differences between expected and actual earnings	68,014	-
Changes in assumptions	1,894,556	1,076,010
Totals	<u>\$ 2,925,576</u>	<u>\$ 1,076,010</u>

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

Year Ended June 30,	Amount
2023	\$ 66,016
2024	512,661
2025	629,408
2026	385,369
2027	185,372
Thereafter	70,740
Total	<u>\$ 1,849,566</u>

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2022:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 10,197,848	\$ 519,002	\$ 9,678,846
Changes for the year:			
Service cost	260,292	-	260,292
Interest	513,763	-	513,763
Difference between expected and actual experience	644,050	-	644,050
Change in assumptions	712,784	-	712,784
Change in benefit terms	(2,510,315)	-	(2,510,315)
Net investment income	-	(85,340)	85,340
Employer contributions	-	595,270	(595,270)
Benefit payments withdrawn from trust	-	(370,270)	370,270
Benefit payments	(370,270)	-	(370,270)
Net changes	<u>(749,696)</u>	<u>139,660</u>	<u>(889,356)</u>
Balances at June 30, 2022	<u>\$ 9,448,152</u>	<u>\$ 658,662</u>	<u>\$ 8,789,490</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other Town Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 16.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted to a weighted basis.

D. Tax Abatements

The Town enters into property tax abatements with local businesses as an incentive for economic growth, including expansion of current facilities and job opportunities for local residents. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Law Chapter 40, Section 59, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. Furthermore, the Town Meeting must approve all TIF agreements.

For the fiscal year ended June 30, 2022, the Town did not abate any property taxes under this program.

E. Commitments and Contingencies

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2022, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2022.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these taxpayers, if any.

Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill is closed, and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$124,500 has been recorded as a liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations. Debt related to closure activities was issued in the form of bonds and has been presented as bonded debt in the Governmental Funds.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the Town's financial statements.

B. Future Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensate Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Restatement

The Town restated beginning net position in the water enterprise fund by increasing it by \$258,274 to reflect unbilled user charges not accrued in the prior year.

TOWN OF SALISBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	4.450%	4.445%	4.399%	4.147%	3.767%	3.737%	3.549%	3.657%
Town's proportionate share of the net pension liability	\$ 15,468	\$ 17,642	\$ 18,532	\$ 17,519	\$ 14,180	\$ 14,398	\$ 12,895	\$ 12,408
Town's covered payroll	\$ 6,885	\$ 6,481	\$ 6,221	\$ 5,717	\$ 5,495	\$ 4,885	\$ 4,756	\$ 4,576
Town's proportionate share of the net pension liability as a percentage of its covered payroll	224.7%	272.2%	297.9%	306.4%	258.1%	294.7%	271.1%	271.2%
Plan fiduciary net position as a percentage of the total pension liability	67.01%	59.73%	55.46%	51.89%	55.40%	51.12%	51.01%	52.27%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN
(dollar amounts are in thousands)

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,846	\$ 1,716	\$ 1,579	\$ 1,486	\$ 1,266	\$ 1,169	\$ 1,055	\$ 1,006
Contributions in relation to the actuarially determined contribution	1,846	1,716	1,579	1,486	1,266	1,169	1,055	1,006
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 6,885	\$ 6,481	\$ 6,221	\$ 5,717	\$ 5,495	\$ 4,885	\$ 4,756	\$ 4,576
Contributions as a percentage of covered-employee payroll	26.8%	26.5%	25.4%	26.0%	23.0%	23.9%	22.2%	22.0%

This schedule is presented to illustrate the requirement to show information for ten years.
However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF SALISBURY, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB - UNAUDITED
YEAR ENDED JUNE 30, 2022

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	For Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	\$ 260,292	\$ 272,883	\$ 265,435	\$ 165,480	\$ 325,851	\$ 325,851
Interest	513,763	488,939	510,864	478,108	386,192	368,705
Changes in benefit terms	(2,510,315)	-	-	-	-	-
Differences between expected and actual experience	644,050	-	592,860	-	531,654	-
Changes in assumptions	712,784	(415,323)	2,419,919	-	(4,051,744)	-
Benefit payments	(370,270)	(334,564)	(293,204)	(319,888)	(306,113)	(209,604)
Net change in total OPEB liability	(749,696)	11,935	3,495,874	323,700	(3,114,160)	484,952
Total OPEB liability - beginning of year	10,197,848	10,185,913	6,690,039	6,366,339	9,480,499	8,995,547
Total OPEB liability - end of year (a)	<u>\$ 9,448,152</u>	<u>\$ 10,197,848</u>	<u>\$ 10,185,913</u>	<u>\$ 6,690,039</u>	<u>\$ 6,366,339</u>	<u>\$ 9,480,499</u>
Plan fiduciary net position:						
Contributions - employer	\$ 595,270	\$ 434,564	\$ 343,204	\$ 369,888	\$ 356,113	\$ 259,604
Net investment income	(85,340)	88,842	8,274	11,789	(1,927)	341
Benefit payments	(370,270)	(334,564)	(293,204)	(319,888)	(306,113)	(209,604)
Net change in Plan fiduciary net position	139,660	188,842	58,274	61,789	48,073	50,341
Plan fiduciary net position - beginning of year	519,002	330,160	271,886	210,097	162,024	111,683
Plan fiduciary net position - end of year (b)	<u>\$ 658,662</u>	<u>\$ 519,002</u>	<u>\$ 330,160</u>	<u>\$ 271,886</u>	<u>\$ 210,097</u>	<u>\$ 162,024</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 8,789,490</u>	<u>\$ 9,678,846</u>	<u>\$ 9,855,753</u>	<u>\$ 6,418,153</u>	<u>\$ 6,156,242</u>	<u>\$ 9,318,475</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.97%	5.09%	3.24%	4.06%	3.30%	1.70%
Covered payroll	\$ 7,356,250	\$ 6,404,140	\$ 6,217,612	\$ 5,853,673	\$ 5,655,723	\$ 4,497,990
Net OPEB liability as a percentage of covered payroll	119.48%	151.13%	158.51%	109.64%	108.85%	207.17%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF SALISBURY, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB - UNAUDITED
YEAR ENDED JUNE 30, 2022**

**SCHEDULE OF CONTRIBUTIONS - OPEB PLAN
LAST 10 FISCAL YEARS**

	For Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 696,170	\$ 693,423	\$ 860,162	\$ 643,587	\$ 712,043	\$ 694,556
Contributions in relation to the actuarially-determined contribution	(595,270)	(434,564)	(343,204)	(369,888)	(356,113)	(259,604)
Contribution deficiency (excess)	<u>\$ 100,900</u>	<u>\$ 258,859</u>	<u>\$ 516,958</u>	<u>\$ 273,699</u>	<u>\$ 355,930</u>	<u>\$ 434,952</u>
Covered payroll	\$ 7,356,250	\$ 6,404,140	\$ 6,217,612	\$ 5,853,673	\$ 5,655,723	\$4,497,990
Contribution as a percentage of covered payroll	8.09%	6.79%	5.52%	6.32%	6.30%	5.77%
Valuation Date	July 1, 2021					
Amortization Period	30 years					
Investment rate of return	6.10%					
Municipal Bond Rate	4.09%					
Discount Rate	6.10%					
Inflation	2.50%					
Healthcare cost trend rates	Getzen Model					
Salary increases	3.00%					
Actuarial Cost Method	Individual Entry Age Normal					
Asset Valuation Method	Market Value of Assets as of Reporting Date					

**SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN
LAST 10 FISCAL YEARS**

	For Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-16.44%	26.91%	3.04%	5.48%	-1.16%	0.25%

Note: These schedules are presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

TOWN OF SALISBURY, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - UNAUDITED
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Continuing	Actual	Variance
	Original	Final	Budgetary	Appropriations and	Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues:						
Property taxes	\$ 24,175,011	\$ 24,175,011	\$ 25,107,250	\$ -	\$ 25,107,250	\$ 932,239
Intergovernmental	1,323,746	1,323,746	1,347,246	-	1,347,246	23,500
Motor vehicle and other excise	2,702,000	2,702,000	2,626,295	-	2,626,295	(75,705)
Departmental and other revenue	1,132,200	1,132,200	1,083,621	-	1,083,621	(48,579)
Licenses and permits	489,500	489,500	515,909	-	515,909	26,409
Penalties and interest	65,000	65,000	125,442	-	125,442	60,442
Fines and forfeitures	151,000	151,000	128,055	-	128,055	(22,945)
Investment income	38,477	38,477	33,350	-	33,350	(5,127)
Total Revenues	30,076,934	30,076,934	30,967,168	-	30,967,168	890,234
Expenditures:						
General government	2,432,983	2,607,425	1,983,850	463,474	2,447,324	160,101
Public safety	6,023,507	6,245,658	6,107,154	72,320	6,179,474	66,184
Education	15,114,113	15,114,485	15,114,485	-	15,114,485	-
Public works	1,819,668	2,940,668	1,900,939	749,411	2,650,350	290,318
Health and human services	550,024	562,212	532,390	-	532,390	29,822
Culture and recreation	560,993	583,398	532,190	20,000	552,190	31,208
Fringe and pension benefits	3,605,855	3,568,217	3,459,752	1,000	3,460,752	107,465
State and county tax assessments	157,765	161,065	161,065	-	161,065	-
Debt service	1,316,916	1,316,916	1,316,916	-	1,316,916	-
Total Expenditures	31,581,824	33,100,044	31,108,741	\$ 1,306,205	32,414,946	685,098
Other Financing Sources (Uses):						
Transfers in	758,063	758,063	758,063		758,063	-
Transfers out	-	(1,295,000)	(1,295,000)		(1,295,000)	-
Total Other Financing Sources (Uses)	758,063	(536,937)	(536,937)		(536,937)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(746,827)	(3,560,047)	\$ (678,510)		\$ (1,984,715)	\$ 1,575,332
Other Budgetary Items:						
Prior year encumbrances	746,827	746,827				
Free cash transfers	-	2,813,220				
Total Other Budgetary Items	746,827	3,560,047				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.

TOWN OF SALISBURY, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and Enterprise Funds. Financial requests are initiated by department heads, recommended by the Warrant Advisory Committee, and approved by the Town members at the Town’s annual meeting in May. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town meeting or the Board of Selectmen however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2022, Town Meeting approved \$2.8 million in supplemental budgetary changes which were funded from free cash and transfers from available funds.

The Finance Director has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2022, is as follows:

	Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 30,967,168
Interest earned by stabilization funds	\$ -	\$ (22,873)	(22,873)
Property tax revenue recognition	(120,638)	-	(120,638)
Revenue on a GAAP basis	<u>\$ (120,638)</u>	<u>\$ (22,873)</u>	<u>\$ 30,823,657</u>
Expenditures on a budgetary basis			\$ 31,108,741
OPEB contribution	\$ -	\$ 50,000	50,000
Indirect cost allocations	-	(616,278)	(616,278)
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ (566,278)</u>	<u>\$ 30,542,463</u>
Transfers on a budgetary basis (net)			\$ (536,937)
Stabilization transfers	\$ -	\$ 400,000	400,000
OPEB contribution	-	50,000	50,000
Nonmajor account closures	-	-	-
Indirect cost allocations	-	(616,278)	(616,278)
Transfers on a GAAP basis (net)	<u>\$ -</u>	<u>\$ (166,278)</u>	<u>\$ (703,215)</u>