

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**SALISBURY AFFORDABLE HOUSING TRUST FUND**  
**A Fiduciary Fund of the**  
**Town of Salisbury, Massachusetts**

Report on Examination of the  
Basic Financial Statements

Year Ended June 30, 2023



**SALISBURY AFFORDABLE HOUSING TRUST FUND  
A FIDUCIARY FUND OF THE TOWN OF SALISBURY, MASSACHUSETTS**

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JUNE 30, 2023**

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Board of Trustees of the  
Salisbury Affordable Housing Trust  
Town of Salisbury, Massachusetts

### **Opinions**

We have audited the accompanying financial statements of the Salisbury Affordable Housing Trust Fund (the "Trust"), a fiduciary fund of the Town of Salisbury, Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Trust'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 Trust as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Trust'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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 Trust'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 Trust'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.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Roselli Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 26, 2024

**SALISBURY AFFORDABLE HOUSING TRUST FUND  
A FIDUCIARY FUND OF THE TOWN OF SALISBURY, MASSACHUSETTS**

**STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2023**

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	<u>Affordable Housing Trust Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 131,244
Investments	1,300,698
Notes receivable	<u>335,000</u>
<b>Total Assets</b>	<u>1,766,942</u>
<b>Liabilities</b>	
	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for affordable housing purposes	<u>1,766,942</u>
<b>Total Net Position</b>	<u><u>\$ 1,766,942</u></u>

See accompanying notes to basic financial statements.

**SALISBURY AFFORDABLE HOUSING TRUST FUND  
A FIDUCIARY FUND OF THE TOWN OF SALISBURY, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2023**

	Affordable Housing Trust Fund
<b>Additions</b>	
Interest and investment income	\$ 38,340
Property resale fees	258
Inclusionary housing contributions	133,715
<b>Total Additions</b>	<b>172,313</b>
 <b>Deductions</b>	
Housing rehabilitation	16,053
Land purchase evaluation costs	4,500
<b>Total Deductions</b>	<b>20,553</b>
<b>Change in Net Position</b>	<b>151,760</b>
Total Net Position - Beginning	1,615,181
Total Net Position - Ending	<b>\$ 1,766,941</b>

See accompanying notes to basic financial statements.

**SALISBURY AFFORDABLE HOUSING TRUST FUND  
A FIDUCIARY FUND OF THE TOWN OF SALISBURY, MASSACHUSETTS**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

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**I. Summary of Significant Accounting Policies**

The basic financial statements of the Salisbury Affordable Housing Trust Fund (the Trust) 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 Trust:

**A. Reporting Entity**

The Salisbury Affordable Housing Trust Fund (the “Trust”) is a fiduciary fund of the Town of Salisbury, Massachusetts (the “Town”). The Trust was created under the provisions of Massachusetts General Law Chapter 44, Section 55C, by vote under Article 13 of the May 16, 2005, Annual Town Meeting. A declaration of trust was made on December 3, 2012, and filed with the Essex County Registry of Deeds. The Trust provides for the creation and preservation of affordable housing in the Town for the benefit of low- and moderate-income households. The Trust’s operations are governed by the Board of Trustees (the “Trustees”), which is a seven-person board consisting of the Chairman of the Town’s Board of Selectmen, another member of the Board of Selectmen and five other members appointed by the Board of Selectmen. Trustees who are not members of the Board of Selectmen serve for a term not to exceed two years but may be reappointed by the Board of Selectmen.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America, or GAAP, as applicable to governmental units. The Trust’s financial statements are not intended and do not present fairly the financial position of the Town.

The following is a summary of the more significant policies and practices used by the Trust:

Basis of Presentation – The Trust’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board’s (“GASB”) requirements for a fiduciary fund, whose accounting is similar to a proprietary fund. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Revenues are primarily from inclusionary housing contributions and affordable housing resale fees from affordable housing sales and expenses are for various purposes relating to maintaining and improving affordable housing in the Town.

Revenue Recognition – Revenues from the Trust’s operations are recorded when earned, regardless of the timing of related cash flows.

Taxes – The Trust is exempt from all federal and state income taxes and local property taxes.

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, disclosure for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from the estimates that were used.

### **C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

Deposits and Investments – The Trust’s cash and cash equivalents are generally 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. Other short-term investments may also be classified as cash and cash equivalents due to their highly liquid nature.

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

Receivables – Accounts receivable are presented net of the allowance for uncollectible accounts. Management’s periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivables are written off when deemed uncollectible.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenses at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. The Trust does not have any items that qualify for reporting as inventory or prepaid items.

Capital Assets – Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. All purchases and construction costs in excess of \$5,000 and with useful lives exceeding two years are capitalized at the date of acquisition or construction. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets (excluding land) are depreciated by the Trust on a straight-line-basis over a period of between five and forty years. The Trust does not have any items that qualify for reporting as a capital asset.

Investment Income – Investment income derived from the Trust’s investment assets is retained in the fund.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Trust does not have any items that qualify for reporting as a deferred inflow.



*Net Position* – Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt. There were no amounts that qualified for net investment in capital assets classification within net position.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. There were no amounts that qualified for restricted classification within net position.

Net position that does not meet the definition of *invested in capital assets* or *restricted* is reported as *unrestricted net position*.

When both restricted and unrestricted resources are available for use, the Trust’s policy is to use restricted resources first, then unrestricted resources, as needed.

## **II. Detailed Notes to Financial Statements**

### **A. Deposits and Investments**

A cash and investment pool is maintained that is available for use with all activities of the Trust. The amount of which is displayed on the balance sheet as “cash and cash equivalents”.

State laws and regulations require the Trust 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. government obligations, repurchase agreements, and State Treasurer’s investment pool (“the 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 Trust 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 Trust does not have a deposit policy for custodial credit risk relative to cash withholdings. At year-end, the carrying amount of the Trust’s deposits was \$131,244 and the bank balance was \$103,769. The Trust’s deposits were fully insured by either the Federal Deposit Insurance Corporation (FDIC) or Depositors’ Insurance Fund (DIF).

*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 Trust may not be able to recover the full amount of its principal investment and/or investment earnings. The Trust does maintain an investment policy for custodial credit risk relative to investment holdings. All securities not held directly by the Trust 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 Trust’s investments in negotiable certificates of deposit are fully covered by federal depository insurance.

Fair Value of Investments – The Trust reports its investments at fair value. When actively quoted observable prices are not available, the Trust 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 Trust 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 Trust’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2023:

	Totals	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 487,744	\$ 436,793	\$ 50,951	\$ -
Corporate fixed income bonds	564,237	-	564,237	-
Fixed income exchange traded funds	9,975	-	9,975	-
Negotiable certificates of deposit	17,370	-	17,370	-
Total debt securities	1,079,326	436,793	642,533	-
Equity securities:				
Common stock equities	211,634	211,634	-	-
Total equity securities	211,634	211,634	-	-
Total investments by fair value level	\$ 1,290,960	\$ 648,427	\$ 642,533	\$ -
<u>Investments measured at amortized cost</u>				
Money market mutual funds	9,738			
Total investments measured at fair value	\$ 1,300,698			

Interest Rate Risk – In the case of investments, this is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust’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 Trust’s investment in a single issuer. The Trust does not have a defined limit on the amount that may be invested in any one issuer; however, the Trust’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 Trust did not maintain balances in any single investment that would represent more than 5% of the Trust’s total investments.

**Credit Risk** – Credit risk is the risk of loss due to the failure of the security issuer or backer. The Trust manages credit risk for deposits and investments through its careful selection of depository institutions and investment instruments. The Trust also follows the prudent investor standard and invests only in financial instruments that are allowable under Massachusetts General Laws.

At June 30, 2023, the Trust had the following investments and maturities:

Investments	Totals	Time Until Maturity		
		< 1 Year	1 - 5 Years	6 - 10 Years
U.S. Government obligations	\$ 487,744	\$ 80,659	\$ 407,085	\$ -
Corporate fixed income securities	564,237	123,511	323,923	116,803
Certificates of deposit	17,370	-	17,370	-
Total investments with maturities	1,069,351	\$ 204,170	\$ 748,378	\$ 116,803
Other investments:				
Common stock equities	211,634			
Fixed income exchange traded funds	9,975			
Money market mutual funds	9,738			
Total investment without maturities	231,347			
Total investments	\$ 1,300,698			

At June 30, 2023, the credit quality ratings of investments were as follows:

Moody's Bond Ratings	Corporate Fixed Income	U.S. Government Obligations	Certificates of Deposit
Aaa	\$ 52,602	\$ 487,744	\$ -
Aa3	-	-	-
A1	116,456	-	-
A2	149,888	-	-
A3	57,045	-	-
Baa1	79,080	-	-
Baa2	109,166	-	-
Not rated	-	-	17,370
Totals	\$ 564,237	\$ 487,744	\$ 17,370

**B. Receivables**

Accounts receivable at June 30, 2023 consisted of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Amount</u>
Notes receivable	\$ 335,000	\$ -	\$ 335,000

The notes receivable amounts consist of two promissory notes granted by the Trust. On August 4, 2016, the Trust granted a \$60,000 promissory note to a developer to assist in developing residential housing for developmentally disabled adults. The note is a subordinated mortgage loan paying 0% interest with principal due and payable on August 5, 2056, or upon sale of the mortgaged property.

On April 2, 2018, the Trust granted a \$275,000 promissory note to the Residences at Salisbury Square LLC to support development of up to 42 units of affordable rental housing. The note is a subordinated mortgage loan paying an interest rate of 2.5% per annum with principal and accrued interest payable on April 2, 2068, or upon the sale or transfer of the mortgaged property.

**C. Commitments and Contingencies**

The Trust 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, if any, at June 30, 2023, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Trust at June 30, 2023.

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