

**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, 2023



# 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, 2023, 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, 2023, 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 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.

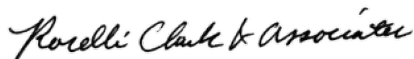
## **Required Supplementary Information**

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 February 26, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts 01801  
February 26, 2024

## 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, 2023. 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 \$53.3 million (*total net position*). This represents an increase of over \$1.7 million from the prior year which included a prior period restatement over \$0.1 million. The majority of this increase was to the Town's net position in its governmental activities as the business-type activities net position was flat as compared to the prior year.
- The Town continues to report a deficit in its unrestricted net position in its governmental activities. This deficit was over \$18.1 million. This deficit is due primarily to the recording of liabilities associated with OPEB and pension benefits, which totaled nearly \$27.8 million, 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 \$3.2 million (or approximately 10.0% of General Fund expenditures), this is available for spending at the government's discretion. The total fund balance in the General Fund was approximately \$4.0 million (or approximately 12.5% of General Fund expenditures). The Town also operates two major funds in addition to the General Fund; one fund was set up to account for the construction of the Town's Welcome Center and has a restricted fund deficit of nearly \$3.6 million (to be funded from a future bond issuance). The second fund was set up to account for the Town's ARPA activities. The Town's aggregate Nonmajor funds include restricted balances of over \$1.5 million, a minor balance for unassigned deficits (to be funded from subsequent year grant receipts), committed fund balance of nearly \$0.6 million, and a portion classified as nonspendable of \$51,000.
- The Town's total long-term debt decreased by nearly \$2.4 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, the ARPA Grant Fund and the 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:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
<b><u>Assets</u></b>						
Current and other assets	\$ 10,376,197	\$ 13,240,285	\$ 14,353,892	\$ 16,062,613	\$ 24,730,089	\$ 29,302,898
Capital assets, net	49,541,183	46,895,393	55,173,253	51,219,887	104,714,436	98,115,280
Total assets	59,917,380	60,135,678	69,527,145	67,282,500	129,444,525	127,418,178
<b><u>Deferred Outflows of Resources</u></b>	5,347,399	5,060,479	502,432	393,734	5,849,831	5,454,213
<b><u>Liabilities</u></b>						
Long-term liabilities	40,910,945	36,825,731	22,032,300	23,034,945	62,943,245	59,860,676
Other liabilities	6,555,476	8,516,871	11,068,084	7,940,041	17,623,560	16,456,912
Total liabilities	47,466,421	45,342,602	33,100,384	30,974,986	80,566,805	76,317,588
<b><u>Deferred Inflows of Resources</u></b>	666,342	4,480,562	757,103	497,589	1,423,445	4,978,151
<b><u>Net Position</u></b>						
Net investment in capital assets	33,259,085	28,559,869	26,919,460	26,040,107	60,178,545	54,599,976
Restricted	2,011,799	2,356,205	837,210	958,924	2,849,009	3,315,129
Unrestricted	(18,138,868)	(15,543,081)	8,415,420	9,204,628	(9,723,448)	(6,338,453)
Total Net Position	\$ 17,132,016	\$ 15,372,993	\$ 36,172,090	\$ 36,203,659	\$ 53,304,106	\$ 51,576,652

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 \$53.3 million (*total net position*). This represents an increase of over \$1.7 million from the prior year. This increase included a prior period adjustment. The majority of this increase was to the Town's net position in its governmental activities as the business-type activities net position was flat as compared to the prior year.

By far the largest portion (about \$60.2 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 (over \$2.8 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 \$9.7 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:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 2,711,642	\$ 2,699,764	\$ 5,038,563	\$ 4,743,117	\$ 7,750,205	\$ 7,442,881
Operating grants and contributions	1,475,849	1,904,138	-	-	1,475,849	1,904,138
Capital grants and contributions	2,842,370	843,699	262,360	146,118	3,104,730	989,817
General revenues:						
Property taxes	25,165,179	24,623,759	-	-	25,165,179	24,623,759
Intergovernmental	1,294,547	1,130,372	-	-	1,294,547	1,130,372
Other	2,827,013	2,762,812	296,246	334,391	3,123,259	3,097,203
<b>Total Revenues</b>	<b>36,316,600</b>	<b>33,964,544</b>	<b>5,597,169</b>	<b>5,223,626</b>	<b>41,913,769</b>	<b>39,188,170</b>
<b><u>Expenses</u></b>						
General government	3,242,759	2,894,434	-	-	3,242,759	2,894,434
Public safety	10,366,440	8,479,485	-	-	10,366,440	8,479,485
Education	15,606,297	15,118,540	-	-	15,606,297	15,118,540
Public works	2,280,353	1,817,792	-	-	2,280,353	1,817,792
Health and human services	745,345	830,510	-	-	745,345	830,510
Culture and recreation	1,191,325	882,253	-	-	1,191,325	882,253
Community development	1,068,764	810,351	-	-	1,068,764	810,351
Interest expense	344,766	384,112	-	-	344,766	384,112
Water	-	-	2,355,395	2,263,455	2,355,395	2,263,455
Sewer	-	-	3,108,343	1,887,699	3,108,343	1,887,699
<b>Total Expenses</b>	<b>34,846,049</b>	<b>31,217,477</b>	<b>5,463,738</b>	<b>4,151,154</b>	<b>40,309,787</b>	<b>35,368,631</b>
Increase in net position before transfers	1,470,551	2,747,067	133,431	1,072,472	1,603,982	3,819,539
Transfers	165,000	(639,812)	(165,000)	639,812	-	-
Change in net position	1,635,551	2,107,255	(31,569)	1,712,284	1,603,982	3,819,539
Net position, beginning of year	15,372,993	13,265,738	36,203,659	34,233,101	51,576,652	47,498,839
Restatement for prior year	123,472	-	-	258,274	123,472	258,274
Net position, beginning of year, as restated	15,496,465	13,265,738	36,203,659	34,491,375	51,700,124	47,757,113
Net position, end of year	<u>\$ 17,132,016</u>	<u>\$ 15,372,993</u>	<u>\$ 36,172,090</u>	<u>\$ 36,203,659</u>	<u>\$ 53,304,106</u>	<u>\$ 51,576,652</u>

**Governmental Activities** – Total revenues in fiscal year 2023 in the Town’s governmental activities increased nearly \$2.4 million from the prior year. This was primarily made up of following:

- Property taxes, which represents 69.3% of total revenues was, about \$0.5 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 11.9% of total revenue and were nearly \$1.6 million greater than the prior year due to a significant increase in ARPA activity.

No other revenue sources exceeded 10% of total revenues in either fiscal year 2023 or 2022.

Education represents the largest expense category for the Town and is provided through regional school districts. In total, education expenses represent approximately 44.8% and 48.4% of total fiscal year 2023 and 2022 expenses, respectively. In terms of gross dollars, education expenses increased nearly \$0.5 million in fiscal year 2023, 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 29.7%, respectively, of total expenses; these ratios, in aggregate, were consistent with the prior year. Individual expense amounts increased, particularly in Public Safety, due to prior year OPEB swinging from an income position to an expense position and ARPA related expenses. No other expenses exceeded 10% of total expenses in either fiscal year 2023 or 2022.

***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 90% of total revenues. The remainder is from capital grants and contributions. Business-type revenues increased approximately \$0.2 million due to new system users.

Water and sewer expenses represented 100% of total business-type expenses and consist of operating, interest expense, and depreciation.

### **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, ARPA Grant 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 \$3.2 million, while total fund balance was approximately \$4.0 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 10.0% of total General Fund expenditures, while total fund balance represents approximately 12.5% of that same amount. The general fund balance decreased by nearly \$0.9 million primarily related to spending down encumbrances and articles that had accumulated in the prior year in addition to appropriations from free cash.

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 \$3.6 million represents a minor change from last year as the project is winding down. It is expected that this deficit will be funded in the future through a bond issuance.

The ARPA Fund included revenues and expenditures of about \$0.9 million. Because revenue is not recognized until expenditures are incurred, the fund never has a fund balance.

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 \$10.1 million; and net position of the Sewer Fund amounted to over \$26.1 million.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were minor (3.6%). 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, 2023, amounts to approximately \$104.7 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 \$6.7 million, as a result of approximately \$9.8 million of capital asset additions offset by approximately \$3.1million of depreciation.

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 \$29.3 million. The Town's total long-term debt decreased by approximately \$2.4 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 \$118 million based on the 2023 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 and F 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 2024 represent approximately 85% of the entire property tax levy. 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 remain stable in 2024.
- Inflation has risen to historic levels in fiscal 2023. This has continued into 2024 but is beginning to stabilize. This has impacted wages, construction, supplies, utilities and borrowing costs. The Town is monitoring this situation.
- The Town anticipates state aid for 2024 to increase to about \$1.5 million.

The above items were considered when the Town developed its budget for fiscal year 2024 which was approved at its Annual Town Meeting in May 2023, and the Town set its tax rate in November 2023.

### **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, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,056,904	\$ 9,658,655	\$ 14,715,559
Investments	3,082,419	1,707,366	4,789,785
Receivables (net):			
Property taxes	836,357	-	836,357
Excise taxes	163,377	-	163,377
User fees	-	1,409,961	1,409,961
Departmental and Leases Receivable	23,211	712,020	735,231
Betterments	-	715,856	715,856
Intergovernmental	855,026	-	855,026
Tax foreclosures	358,903	-	358,903
Net other postemployment benefit asset	-	150,034	150,034
Capital assets, not being depreciated	11,677,188	23,458,489	35,135,677
Capital assets, net of accumulated depreciation	37,863,995	31,714,764	69,578,759
<b>Total Assets</b>	<b>59,917,380</b>	<b>69,527,145</b>	<b>129,444,525</b>
<b>Deferred Outflows of Resources</b>			
Related to net other postemployment benefits liability	2,136,607	70,001	2,206,608
Related to net pension liability	3,210,792	432,431	3,643,223
<b>Total Deferred Outflows of Resources</b>	<b>5,347,399</b>	<b>502,432</b>	<b>5,849,831</b>
<b>Liabilities</b>			
Warrants and accounts payable	1,424,056	589,660	2,013,716
Accrued payroll and withholdings	232,750	15,778	248,528
Accrued interest expense	-	514,260	514,260
Unearned revenues	840,161		840,161
Other liabilities	140,499	48,386	188,885
Bond anticipation notes	3,918,010	9,900,000	13,818,010
Noncurrent liabilities:			
Due within one year	1,262,021	1,711,275	2,973,296
Due in more than one year	39,648,924	20,321,025	59,969,949
<b>Total Liabilities</b>	<b>47,466,421</b>	<b>33,100,384</b>	<b>80,566,805</b>
<b>Deferred Inflows of Resources</b>			
Leases receivable	-	702,804	702,804
Related to net other postemployment benefits liability	347,770	11,394	359,164
Related to net pension liability	318,572	42,905	361,477
<b>Total Deferred Inflows of Resources</b>	<b>666,342</b>	<b>757,103</b>	<b>1,423,445</b>
<b>Net Position</b>			
Net investment in capital assets	33,259,085	26,919,460	60,178,545
Restricted:			
Nonexpendable permanent funds	51,000	-	51,000
Expendable permanent funds	559,165	-	559,165
Other purposes	1,401,634	837,210	2,238,844
Unrestricted	(18,138,868)	8,415,420	(9,723,448)
<b>Total Net Position</b>	<b>\$ 17,132,016</b>	<b>\$ 36,172,090</b>	<b>\$ 53,304,106</b>

See accompanying notes to basic financial statements.

**TOWN OF SALISBURY, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

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	\$ 3,242,759	\$ 976,087	\$ 35,373	\$ 109,063	\$ (2,122,236)		\$ (2,122,236)
Public safety	10,366,440	1,513,179	289,663	95,181	(8,468,417)		(8,468,417)
Education	15,606,297	-	14,443	-	(15,591,854)		(15,591,854)
Public works	2,280,353	22,667	54,183	2,069,070	(134,433)		(134,433)
Health and human services	745,345	99,062	330,294	38,995	(276,994)		(276,994)
Culture and recreation	1,191,325	49,310	316,493	58,421	(767,101)		(767,101)
Community development	1,068,764	51,337	435,400	471,640	(110,387)		(110,387)
Interest expense	344,766	-	-	-	(344,766)		(344,766)
Total governmental activities	34,846,049	2,711,642	1,475,849	2,842,370	(27,816,188)		(27,816,188)
Business-type activities:							
Water	2,355,395	2,691,406	-	-		\$ 336,011	336,011
Sewer	3,108,343	2,347,157	-	262,360		(498,826)	(498,826)
Total business-type activities	5,463,738	5,038,563	-	262,360		(162,815)	(162,815)
Total Primary Government	\$ 40,309,787	\$ 7,750,205	\$ 1,475,849	\$ 3,104,730	(27,816,188)	(162,815)	(27,979,003)
		<u>General Revenues:</u>					
		Property taxes			25,165,179	-	25,165,179
		Grants and contributions not restricted to specific programs			1,294,547	-	1,294,547
		Motor vehicle and other excise			2,611,473	-	2,611,473
		Penalties and interest on taxes			50,774	-	50,774
		Unrestricted investment income			164,766	145,842	310,608
		Other income			-	150,404	150,404
		<u>Transfers (net)</u>			165,000	(165,000)	-
		Total general revenues			29,451,739	131,246	29,582,985
		Change in Net Position			1,635,551	(31,569)	1,603,982
		<u>Net Position:</u>					
		Beginning of year (as restated for governmental activities)			15,496,465	36,203,659	51,700,124
		End of year			\$ 17,132,016	\$ 36,172,090	\$ 53,304,106

See accompanying notes to basic financial statements.

**TOWN OF SALISBURY, MASSACHUSETTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	General Fund	ARPA Grant	Welcome Center	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,477,653	\$ 906,726	\$ 84,903	\$ 1,587,622	\$ 5,056,904
Investments	2,404,701	-	-	677,718	3,082,419
Receivables:					
Property taxes	836,357	-	-	-	836,357
Excise taxes	163,377	-	-	-	163,377
Departmental and other	23,211	-	-	-	23,211
Intergovernmental	58,554	-	-	796,472	855,026
Tax foreclosures	358,903	-	-	-	358,903
<b>Total Assets</b>	<u>6,322,756</u>	<u>906,726</u>	<u>84,903</u>	<u>3,061,812</u>	<u>10,376,197</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 6,322,756</u>	<u>\$ 906,726</u>	<u>\$ 84,903</u>	<u>\$ 3,061,812</u>	<u>\$ 10,376,197</u>
<b>Liabilities</b>					
Warrants and accounts payable	\$ 702,991	\$ 66,565	\$ 29,725	\$ 624,775	\$ 1,424,056
Accrued payroll and withholdings	223,734	-	-	9,016	232,750
Unearned revenue	-	840,161	-	-	840,161
Bond anticipation notes	-	-	3,627,125	290,885	3,918,010
Other liabilities	140,414	-	-	85	140,499
<b>Total Liabilities</b>	<u>1,067,139</u>	<u>906,726</u>	<u>3,656,850</u>	<u>924,761</u>	<u>6,555,476</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	717,097	-	-	-	717,097
Unavailable revenue - excise taxes	163,377	-	-	-	163,377
Unavailable revenue - other	358,903	-	-	-	358,903
<b>Total Deferred Inflows of Resources</b>	<u>1,239,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,239,377</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	51,000	51,000
Restricted	-	-	-	1,507,427	1,507,427
Committed	798,138	-	-	583,850	1,381,988
Assigned	9,000	-	-	-	9,000
Unassigned	3,209,102	-	(3,571,947)	(5,226)	(368,071)
<b>Total Fund Balances</b>	<u>4,016,240</u>	<u>-</u>	<u>(3,571,947)</u>	<u>2,137,051</u>	<u>2,581,344</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 6,322,756</u>	<u>\$ 906,726</u>	<u>\$ 84,903</u>	<u>\$ 3,061,812</u>	<u>\$ 10,376,197</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, 2023**

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<b>Total Governmental Fund Balances</b>	<b>\$ 2,581,344</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,541,183
Other long-term assets are not available to pay for current period expenditures and, therefore are reported as unavailable revenue in the funds.	1,239,377
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	2,136,607
Deferred outflows related to net pension liability	3,210,792
Deferred inflows related to net other postemployment benefits liability	(347,770)
Deferred inflows related to net pension liability	(318,572)
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	(11,133,000)
Unamortized bond premium	(765,009)
Direct borrowings and placements	(250,179)
Post-closing landfill monitoring costs	(104,500)
Compensated absences	(873,326)
Net other postemployment benefits liability	(9,235,140)
Net pension liability	<u>(18,549,791)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 17,132,016</u></b>

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 2023**

	General Fund	ARPA Grant	Welcome Center	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 25,369,486	\$ -	\$ -	\$ -	\$ 25,369,486
Intergovernmental	1,489,031	1,196,121	-	2,871,257	5,556,409
Excise taxes	2,594,661	-	-	21,787	2,616,448
Licenses and permits	511,525	-	-	-	511,525
Departmental and other revenue	1,001,215	-	-	984,109	1,985,324
Penalties and interest on taxes	50,774	-	-	-	50,774
Fines and forfeitures	162,092	-	-	-	162,092
Investment income	108,061	-	-	56,705	164,766
Contributions and donations	-	-	-	56,357	56,357
<b>Total Revenues</b>	<u>31,286,845</u>	<u>1,196,121</u>	<u>-</u>	<u>3,990,215</u>	<u>36,473,181</u>
<b>Expenditures:</b>					
Current:					
General government	2,004,819	9,750	-	416,343	2,430,912
Public safety	6,165,561	170,333	-	575,026	6,910,920
Education	15,606,297	-	-	-	15,606,297
Public works	2,371,803	709,234	50,700	1,874,021	5,005,758
Health and human services	478,191	68,351	-	107,257	653,799
Culture and recreation	565,488	64,986	-	265,490	895,964
Community development	-	-	-	985,270	985,270
Fringe and pension benefits	3,424,629	-	-	-	3,424,629
State and county tax assessments	144,585	-	-	-	144,585
Debt service:					
Principal	979,444	-	-	-	979,444
Interest	470,187	-	-	-	470,187
<b>Total Expenditures</b>	<u>32,211,004</u>	<u>1,022,654</u>	<u>50,700</u>	<u>4,223,407</u>	<u>37,507,765</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(924,159)</u>	<u>173,467</u>	<u>(50,700)</u>	<u>(233,192)</u>	<u>(1,034,584)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	188,411	-	111,781	388,186	688,378
Transfers out	(161,500)	(173,467)	-	(188,411)	(523,378)
Premium received from debt issuance	-	-	52,701	-	52,701
<b>Total Other Financing Sources (Uses)</b>	<u>26,911</u>	<u>(173,467)</u>	<u>164,482</u>	<u>199,775</u>	<u>217,701</u>
<b>Net Change in Fund Balances</b>	<u>(897,248)</u>	<u>-</u>	<u>113,782</u>	<u>(33,417)</u>	<u>(816,883)</u>
Fund Balances - Beginning (as restated)	<u>4,913,488</u>	<u>-</u>	<u>(3,685,729)</u>	<u>2,170,468</u>	<u>3,398,227</u>
Fund Balances - Ending	<u><u>\$ 4,016,240</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3,571,947)</u></u>	<u><u>\$ 2,137,051</u></u>	<u><u>\$ 2,581,344</u></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, 2023**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ (816,883)**

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	\$ 4,364,678	
Depreciation/amortization	(1,595,416)	
Net effect of reporting capital assets		2,769,262

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	979,444	
Amortization of bond and note premiums	125,421	
Net effect of reporting long-term debt		1,104,865

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. (209,282)

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	(417,334)	
Pension benefits	(815,077)	
Net effect of reporting long-term liabilities		(1,212,411)

**Change in Net Position of Governmental Activities** **\$ 1,635,551**

See accompanying notes to basic financial statements.

**TOWN OF SALISBURY, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2023**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,683,848	\$ 6,974,807	\$ 9,658,655
Investments	301,300	1,406,066	1,707,366
Receivables, net:			
User charges	771,316	638,645	1,409,961
Lease receivables	65,492	-	65,492
Other	9,216	-	9,216
Betterments	-	98,754	98,754
Total current assets	<u>3,831,172</u>	<u>9,118,272</u>	<u>12,949,444</u>
Noncurrent assets:			
Receivables, net:			
Betterments	-	617,102	617,102
Lease receivables	637,312	-	637,312
Net other postemployment benefit asset	122,790	27,244	150,034
Land	369,002	1,383,999	1,753,001
Construction in progress	3,482,969	18,222,519	21,705,488
Capital assets, net of depreciation/amortization	<u>14,986,887</u>	<u>16,727,877</u>	<u>31,714,764</u>
Total noncurrent assets	<u>19,598,960</u>	<u>36,978,741</u>	<u>56,577,701</u>
<b>Total Assets</b>	<u>23,430,132</u>	<u>46,097,013</u>	<u>69,527,145</u>
<b>Deferred Outflows of Resources</b>			
Related to net other postemployment benefits	6,557	63,444	70,001
Related to net pension liability	<u>83,885</u>	<u>348,546</u>	<u>432,431</u>
<b>Total Deferred Outflows of Resources</b>	<u>90,442</u>	<u>411,990</u>	<u>502,432</u>
<b>Liabilities</b>			
Current liabilities:			
Warrants and accounts payable	369,573	220,087	589,660
Accrued payroll and withholdings	7,961	7,817	15,778
Accrued interest expense	146,252	368,008	514,260
Other liabilities	2,000	46,386	48,386
Bond anticipation notes payable	1,900,000	8,000,000	9,900,000
Bonds and notes payable	928,540	760,319	1,688,859
Compensated absences	<u>6,060</u>	<u>16,356</u>	<u>22,416</u>
Total current liabilities	<u>3,360,386</u>	<u>9,418,973</u>	<u>12,779,359</u>
Noncurrent liabilities:			
Bonds and notes payable	8,877,709	8,877,770	17,755,479
Compensated absences	18,181	49,067	67,248
Net pension liability	<u>484,632</u>	<u>2,013,666</u>	<u>2,498,298</u>
Total noncurrent liabilities	<u>9,380,522</u>	<u>10,940,503</u>	<u>20,321,025</u>
<b>Total Liabilities</b>	<u>12,740,908</u>	<u>20,359,476</u>	<u>33,100,384</u>
<b>Deferred Inflows of Resources</b>			
Lease receivables	702,804	-	702,804
Related to net other postemployment benefits liability	1,067	10,327	11,394
Related to net pension liability	<u>8,323</u>	<u>34,582</u>	<u>42,905</u>
<b>Total Deferred Inflows of Resources</b>	<u>712,194</u>	<u>44,909</u>	<u>757,103</u>
<b>Net Position</b>			
Net investment in capital assets	7,751,905	19,167,555	26,919,460
Restricted for debt service	-	837,210	837,210
Unrestricted	<u>2,315,567</u>	<u>6,099,853</u>	<u>8,415,420</u>
<b>Total Net Position</b>	<u>\$ 10,067,472</u>	<u>\$ 26,104,618</u>	<u>\$ 36,172,090</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, 2023**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
<b>Operating Revenues:</b>			
Charges for services	\$ 2,545,619	\$ 2,204,009	\$ 4,749,628
Other income	145,787	143,148	288,935
<b>Total Operating Revenues</b>	<u>2,691,406</u>	<u>2,347,157</u>	<u>5,038,563</u>
<b>Operating Expenses:</b>			
Operating costs	1,581,856	1,810,308	3,392,164
Depreciation	575,700	892,820	1,468,520
<b>Total Operating Expenses</b>	<u>2,157,556</u>	<u>2,703,128</u>	<u>4,860,684</u>
<b>Operating Income</b>	<u>533,850</u>	<u>(355,971)</u>	<u>177,879</u>
<b>Nonoperating Revenues (Expenses):</b>			
Access fees	105,984	44,420	150,404
Interest income	39,463	106,379	145,842
Interest expense	(197,839)	(405,215)	(603,054)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(52,392)</u>	<u>(254,416)</u>	<u>(306,808)</u>
<b>Income Before Capital Contributions and Transfers</b>	<u>481,458</u>	<u>(610,387)</u>	<u>(128,929)</u>
Intergovernmental capital grants	-	-	-
Capital contribution	-	222,395	222,395
Betterments	-	39,965	39,965
Transfers in	-	-	-
Transfers out	(100,000)	(65,000)	(165,000)
<b>Change in Net Position</b>	<u>381,458</u>	<u>(413,027)</u>	<u>(31,569)</u>
Total Net Position - Beginning	<u>9,686,014</u>	<u>26,517,645</u>	<u>36,203,659</u>
Total Net Position - Ending	<u>\$ 10,067,472</u>	<u>\$ 26,104,618</u>	<u>\$ 36,172,090</u>

See accompanying notes to basic financial statements.

**TOWN OF SALISBURY, MASSACHUSETTS**

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

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from users	\$ 2,668,835	\$ 2,400,614	\$ 5,069,449
Payments to employees and benefits	(892,727)	(905,038)	(1,797,765)
Payments to vendors	(532,380)	(2,043,860)	(2,576,240)
Net Cash Provided By (Used In) Operating Activities	1,243,728	(548,284)	695,444
<b>Cash Flows from Noncapital Related Financing Activities:</b>			
Net transfers	(100,000)	(65,000)	(165,000)
Net Cash (Used In) Noncapital Financing Activities	(100,000)	(65,000)	(165,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Issuance of bond anticipation notes	1,900,000	8,000,000	9,900,000
Payment of bond anticipation notes	(1,000,000)	(5,000,000)	(6,000,000)
Premiums from issuance of bonds and notes	(96,084)	(176,413)	(272,497)
Receipts from betterments	-	154,776	154,776
Other nonoperating income	105,984	44,420	150,404
Capital subsidies	-	222,395	222,395
Acquisition and construction of capital assets	(1,223,123)	(4,198,763)	(5,421,886)
Principal payments on bonds and other long-term notes	(821,718)	(595,000)	(1,416,718)
Interest expense	(179,340)	(199,409)	(378,749)
Net Cash (Used In) Capital and Related Financing Activities	(1,314,281)	(1,747,994)	(3,062,275)
<b>Cash Flows from Investing Activities:</b>			
Investment purchases, maturities and redemptions, net	(301,300)	(1,406,066)	(1,707,366)
Interest income	39,463	106,379	145,842
Net Cash Provided By Investing Activities	(261,837)	(1,299,687)	(1,561,524)
<b>Net Change in Cash and Cash Equivalents</b>	(432,390)	(3,660,965)	(4,093,355)
<b>Cash and Cash Equivalents:</b>			
Beginning of year	\$ 3,116,238	10,635,772	13,752,010
End of year	\$ 2,683,848	\$ 6,974,807	\$ 9,658,655
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:</b>			
Operating income	\$ 533,850	\$ (355,971)	\$ 177,879
Depreciation	575,700	892,820	1,468,520
Changes in assets and deferred outflows and liabilities and deferred inflows:			
Receivables	(22,571)	53,457	30,886
Deferred outflows of resources	(26,911)	(81,787)	(108,698)
Deferred inflows of resources	(82,410)	(360,880)	(443,290)
Accounts payable, accrued expenses and other liabilities	266,070	(695,923)	(429,853)
Net Cash Provided By (Used In) Operating Activities	\$ 1,243,728	\$ (548,284)	\$ 695,444

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

**TOWN OF SALISBURY, MASSACHUSETTS**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2023**

	Affordable Housing Trust	Other Postemployment Benefits Trust
	<u>Trust</u>	<u>Benefits Trust</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 131,243	\$ -
Investments	1,300,698	-
Money market mutual funds	-	4,351
Fixed income mutual funds	-	215,294
Equity mutual funds	-	654,347
Notes receivable	335,000	-
	<u>1,766,941</u>	<u>873,992</u>
<b>Total Assets</b>	<u>1,766,941</u>	<u>873,992</u>
<b>Liabilities</b>		
Warrants and accounts payable	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>Net Position</b>		
Held in trust for affordable housing purposes	1,766,941	-
Restricted for other postemployment benefits	<u>-</u>	<u>873,992</u>
<b>Total Net Position</b>	<u><u>\$ 1,766,941</u></u>	<u><u>\$ 873,992</u></u>

See accompanying notes to basic financial statements.

**TOWN OF SALISBURY, MASSACHUSETTS**

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

	Affordable Housing Trust	Other Postemployment Benefits Trust
	<u>                    </u>	<u>                    </u>
<b>Additions:</b>		
Contributions:		
Employer	\$ -	\$ 527,672
Other	133,973	-
	<u>                    </u>	<u>                    </u>
Total contributions	133,973	527,672
	<u>                    </u>	<u>                    </u>
Investment income:		
Interest, dividends, realized gains/losses	38,340	65,330
Net investment earnings (losses)	38,340	65,330
	<u>                    </u>	<u>                    </u>
<b>Total Net Additions</b>	172,313	593,002
	<u>                    </u>	<u>                    </u>
<b>Deductions:</b>		
Benefit payments	-	377,672
Public housing assistance	20,553	-
	<u>                    </u>	<u>                    </u>
<b>Total Deductions</b>	20,553	377,672
	<u>                    </u>	<u>                    </u>
<b>Change in Net Position</b>	151,760	215,330
Net Position - Beginning	1,615,181	658,662
	<u>                    </u>	<u>                    </u>
Net Position - Ending	<u><u>\$ 1,766,941</u></u>	<u><u>\$ 873,992</u></u>

See accompanying notes to basic financial statements.



## TOWN OF SALISBURY, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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#### **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 2023, the Town's share of the operating and debt service expenses was \$14,832,211. 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.

\$730,754 and \$43,332 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* – This 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.

*ARPA Grant Fund* – Accounts for revenues and expenditures of Coronavirus State and Local Fiscal Recovery Fund created by the American Rescue Plan Act of 2021.

*Welcome Center Fund* – Accounts for all 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 \$1,348,823 and is reported as unassigned fund balance in the General Fund.

Additionally, the Town maintains a capital stabilization fund in the amount of \$302,756 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 \$784,020 of encumbrances from Town Meeting votes in addition to \$14,118 that has been reserved for subsequent year expenditures in the general fund as committed. The Town also reports \$9,000 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 Fund	Welcome Center Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 51,000	\$ 51,000
Restricted:				
General government	-	-	476,397	476,397
Public safety	-	-	395,743	395,743
Public works	-	-	139,127	139,127
Health and human services	-	-	152,057	152,057
Culture and recreation	-	-	225,827	225,827
Community development	-	-	118,276	118,276
Committed:				
General government	224,040	-	-	224,040
Public safety	23,478	-	-	23,478
Public works	516,502	-	-	516,502
Culture and recreation	20,000	-	-	20,000
Pension and fringe benefits	-	-	583,850	583,850
Subsequent year expenditures	14,118	-	-	14,118
Assigned:				
General government	8,000	-	-	8,000
Pension and fringe benefits	1,000	-	-	1,000
Unassigned	3,209,102	(3,571,947)	(5,226)	(368,071)
Totals	<u>\$ 4,016,240</u>	<u>\$ (3,571,947)</u>	<u>\$ 2,137,051</u>	<u>\$ 2,581,344</u>

#### **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 \$(3,571,947) and \$(5,226), 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 \$14,848,103 and the bank balance was \$15,740,056. Of the Town's bank balance, \$13,533,621 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, 2023:

		Fair Value Measurements Using		
	Totals	Level 1	Level 2	Level 3
<u>Investments by fair value level</u>				
Debt securities:				
U.S. Government obligations	\$ 3,849,558	\$ 3,709,335	\$ 140,223	\$ -
Corporate fixed income securities	1,552,836	-	1,552,836	-
Fixed income mutual funds	215,294	-	215,294	-
Fixed income exchange traded funds	27,453	-	27,453	-
Negotiable certificates of deposit	47,805	-	47,805	-
Total debt securities	5,692,946	3,709,335	1,983,611	-
Equity securities:				
Common stock equities	655,677	655,677	-	-
Equity mutual funds	581,108	-	581,108	-
Total equity securities	1,236,785	655,677	581,108	-
Total investments by fair value level	<u>\$ 6,929,731</u>	<u>\$ 4,365,012</u>	<u>\$ 2,564,719</u>	<u>\$ -</u>
<u>Investments measured at amortized cost</u>				
Money market mutual funds	34,744			
Total investments measured at fair value	<u>\$ 6,964,475</u>			

*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, 2023, the Town had the following investments and maturities:

Investments	Totals	Time Until Maturity		
		< 1 Year	1 - 5 Years	6 - 10 Years
U.S. Government obligations	\$ 3,849,558	\$ 221,983	\$ 3,627,575	\$ -
Corporate fixed income securities	1,552,836	339,915	891,467	321,454
Certificates of deposit	47,805	-	47,805	-
Total investments with maturities	5,450,199	<u>\$ 561,898</u>	<u>\$ 4,566,847</u>	<u>\$ 321,454</u>
Other investments:				
Common stock equities	655,677			
Equity mutual funds	581,108			
Fixed income mutual funds	215,294			
Fixed income exchange traded funds	27,453			
Money market mutual funds	34,744			
Total investment without maturities	1,514,276			
Total investments	<u>\$ 6,964,475</u>			

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

Moodys Bond Ratings	Corporate Fixed Income	U.S. Government Obligations	Certificates of Deposit
Aaa	\$ 144,767	\$ 3,849,558	\$ -
A1	320,499	-	-
A2	412,507	-	-
A3	156,993	-	-
Baa1	217,636	-	-
Baa2	300,434	-	-
Not rated	-	-	47,805
Totals	<u>\$ 1,552,836</u>	<u>\$ 3,849,558</u>	<u>\$ 47,805</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	\$ 264,828	\$ -	\$ 264,828
Tax deferrals	88,417	-	88,417
Tax liens	483,112	-	483,112
Excise taxes	163,377	-	163,377
Tax foreclosures	358,903	-	358,903
Total	<u>\$ 1,358,637</u>	<u>\$ -</u>	<u>\$ 1,358,637</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	\$ 767,440	\$ -	\$ 767,440
Water liens	3,876	-	3,876
Water leases	702,804	-	702,804
Water other	9,216	-	9,216
Sewer user fees	598,061	-	598,061
Sewer liens	6,725	-	6,725
Sewer betterments - apportioned	39,175	-	39,175
Sewer betterments - unapportioned	710,540	-	710,540
Total	<u>\$ 2,837,837</u>	<u>\$ -</u>	<u>\$ 2,837,837</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	\$ 145,568	\$ -	\$ 145,568
Tax deferrals	88,417	-	88,417
Tax liens	483,112	-	483,112
Excise taxes	163,377	-	163,377
Tax foreclosures	358,903	-	358,903
Total	<u>\$ 1,239,377</u>	<u>\$ -</u>	<u>\$ 1,239,377</u>

## C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated				
Land	\$ 2,818,550	\$ -	\$ -	\$ 2,818,550
Construction in process	8,305,332	553,306	-	8,858,638
Total capital assets not being depreciated	11,123,882	553,306	-	11,677,188
Capital assets being depreciated:				
Buildings and improvements	23,170,094	279,370	-	23,449,464
Land improvements	1,642,046	979,893	-	2,621,939
Infrastructure	20,621,507	1,901,683	-	22,523,190
Machinery and equipment	3,794,987	493,503	-	4,288,490
Vehicles	4,380,084	156,923	-	4,537,007
Total capital assets being depreciated	53,608,718	3,811,372	-	57,420,090
Less accumulated depreciation for:				
Buildings and improvements	(5,009,732)	(557,027)	-	(5,566,759)
Land improvements	(184,658)	(51,485)	-	(236,143)
Infrastructure	(6,825,806)	(449,920)	-	(7,275,726)
Machinery and equipment	(2,552,910)	(276,267)	-	(2,829,177)
Vehicles	(3,387,573)	(260,717)	-	(3,648,290)
Total accumulated depreciation	(17,960,679)	(1,595,416)	-	(19,556,095)
Total capital assets being depreciated, net	35,648,039	2,215,956	-	37,863,995
Governmental activities capital assets, net	\$ 46,771,921	\$ 2,769,262	\$ -	\$ 49,541,183
	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business Activities - All:</i></u>				
Capital assets not being depreciated:				
Land	\$ 1,753,001	\$ -	\$ -	\$ 1,753,001
Construction in process	17,062,606	4,642,882	-	21,705,488
Total capital assets not being depreciated	18,815,607	4,642,882	-	23,458,489
Capital assets being depreciated:				
Buildings and improvements	39,100	-	-	39,100
Infrastructure	63,332,504	560,080	-	63,892,584
Machinery and equipment	1,297,015	73,233	-	1,370,248
Vehicles	341,248	145,691	-	486,939
Total capital assets being depreciated	65,009,867	779,004	-	65,788,871
Less accumulated depreciation for:				
Buildings and improvements	(10,742)	(1,263)	-	(12,005)
Infrastructure	(31,446,944)	(1,358,335)	-	(32,805,279)
Machinery and equipment	(868,902)	(74,519)	-	(943,421)
Vehicles	(278,999)	(34,403)	-	(313,402)
Total accumulated depreciation	(32,605,587)	(1,468,520)	-	(34,074,107)
Total capital assets being depreciated, net	32,404,280	(689,516)	-	31,714,764
Business activities capital assets, net	\$ 51,219,887	\$ 3,953,366	\$ -	\$ 55,173,253

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Water</i></u>				
Capital assets not being depreciated:				
Land	\$ 369,002	\$ -	\$ -	\$ 369,002
Construction in process	2,704,281	778,688	-	3,482,969
Total capital assets not being depreciated	3,073,283	778,688	-	3,851,971
Capital assets being depreciated:				
Infrastructure	22,369,430	346,739	-	22,716,169
Machinery and equipment	622,748	-	-	622,748
Vehicles	54,166	97,696	-	151,862
Total capital assets being depreciated	23,046,344	444,435	-	23,490,779
Less accumulated depreciation for:				
Infrastructure	(7,355,270)	(529,223)	-	(7,884,493)
Machinery and equipment	(567,505)	(25,874)	-	(593,379)
Vehicles	(5,417)	(20,603)	-	(26,020)
Total accumulated depreciation	(7,928,192)	(575,700)	-	(8,503,892)
Total Water capital assets being depreciated, net	15,118,152	(131,265)	-	14,986,887
	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Business-type Activities: Sewer</i></u>				
Capital assets not being depreciated:				
Land	1,383,999	-	-	1,383,999
Construction in process	14,358,325	3,864,194	-	18,222,519
Total capital assets not being depreciated	15,742,324	3,864,194	-	19,606,518
Capital assets being depreciated:				
Buildings	39,100	-	-	39,100
Infrastructure	40,963,074	213,341	-	41,176,415
Machinery and equipment	674,267	73,233	-	747,500
Vehicles	287,082	47,995	-	335,077
Total capital assets being depreciated	41,963,523	334,569	-	42,298,092
Less accumulated depreciation for:				
Buildings	(10,742)	(1,263)	-	(12,005)
Infrastructure	(24,091,674)	(829,112)	-	(24,920,786)
Machinery and equipment	(301,397)	(48,645)	-	(350,042)
Vehicles	(273,582)	(13,800)	-	(287,382)
Total accumulated depreciation	(24,677,395)	(892,820)	-	(25,570,215)
Total Sewer capital assets being depreciated, net	17,286,128	(558,251)	-	16,727,877
Total Business-type activities - capital assets, net	\$ 51,219,887	\$ 3,953,366	\$ -	\$ 55,173,253

Depreciation/amortization was charged to functions/programs as follows:

*Governmental Activities:*

General government	\$ 106,738
Public safety	658,044
Public works	577,281
Health & Human Services	8,016
Culture and recreation	245,337
Total Governmental Activities	<u>\$1,595,416</u>

*Business-Type Activities:*

Water	\$ 575,700
Sewer	892,820
Total Business-Type Activities	<u>\$ 1,468,520</u>

#### D. Interfund Receivables, Payables and Transfers

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

Transfers Out	Transfers In				
	General Fund	Welcome Center	Nonmajor Funds	Total	
General Fund	\$ -	\$ -	\$ 161,500	\$ 161,500	(1,3)
ARPA Grant Fund	-	111,781	61,686	173,467	(4)
Nonmajor Governmental Funds	188,411	-	-	188,411	(2)
Water Enterprise Fund	-	-	100,000	100,000	(3)
Sewer Enterprise Fund	-	-	65,000	65,000	(3)
Total	<u>\$ 188,411</u>	<u>\$ 111,781</u>	<u>\$ 388,186</u>	<u>\$ 688,378</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 return of unused capital project monies.
- (3) Transfers to Nonmajor Funds to fund compensated absence reserve and unemployment fund.
- (4) Transfers to Welcome Center Fund and Nonmajor Funds for ARPA funding of projects.

#### 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, 2023, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
BAN	1.00%	Matured	\$ 5,171,750	\$ -	\$ (5,171,750)	\$ -
BAN	4.00%	09/08/23	-	3,918,010	-	3,918,010
Total Governmental Notes			<u>5,171,750</u>	<u>3,918,010</u>	<u>(5,171,750)</u>	<u>3,918,010</u>
BAN	1.00%	Matured	1,000,000	-	(1,000,000)	-
BAN	4.00%	09/08/23	-	1,000,000	-	1,000,000
BAN	6.00%	09/08/23	-	900,000	-	900,000
Total Business-Type Notes - Water			<u>1,000,000</u>	<u>1,900,000</u>	<u>(1,000,000)</u>	<u>1,900,000</u>
BAN	1.00%	Matured	5,000,000	-	(5,000,000)	-
BAN	4.00%	09/08/23	-	8,000,000	-	8,000,000
Total Business-Type Notes - Sewer			<u>5,000,000</u>	<u>8,000,000</u>	<u>(5,000,000)</u>	<u>8,000,000</u>
Total Business-Type Notes - All			<u>6,000,000</u>	<u>9,900,000</u>	<u>(6,000,000)</u>	<u>9,900,000</u>
Total Notes Payable			<u>\$ 11,171,750</u>	<u>\$ 13,818,010</u>	<u>\$ (11,171,750)</u>	<u>\$ 13,818,010</u>

Temporary notes outstanding at year end were issued for the beach visitors center (\$3,627,125), Rings Island neighborhood flood resiliency (\$290,885 Water infrastructure (\$1,900,000), and Sewer Construction (\$8,000,000).

## 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, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within one year
<b>Governmental Activities:</b>					
Bond and note indebtedness	\$ 11,933,000	\$ -	\$ (800,000)	11,133,000	\$ 805,000
Notes from direct borrowings/placements	429,623	-	(179,444)	250,179	103,337
Unamortized bond premium	890,430	-	(125,421)	765,009	115,352
Post-closure landfill monitoring	124,500	-	(20,000)	104,500	20,000
Compensated absences	873,326	218,332	(218,332)	873,326	218,332
Other postemployment benefits	8,819,363	3,326,167	(2,910,390)	9,235,140	-
Net pension liability	13,632,017	10,370,581	(5,452,807)	18,549,791	-
<b>Total Governmental Activities</b>	<b>\$ 36,702,259</b>	<b>\$13,915,080</b>	<b>\$ (9,706,394)</b>	<b>\$ 40,910,945</b>	<b>\$ 1,262,021</b>
<b>Business-type Activities: Water</b>					
Bond and note indebtedness	\$ 7,880,000	\$ -	\$ (665,000)	\$ 7,215,000	\$ 685,000
Notes from direct borrowings/placements	2,304,260	-	(156,718)	2,147,542	159,168
Unamortized bond premium	539,791	-	(96,084)	443,707	84,372
Compensated absences	-	30,301	(6,060)	24,241	6,060
Net pension liability	356,150	270,942	(142,460)	484,632	-
<b>Total Business-type Activities: Water</b>	<b>11,080,201</b>	<b>301,243</b>	<b>(1,066,322)</b>	<b>10,315,122</b>	<b>934,600</b>
<b>Business-type Activities: Sewer</b>					
Bond and note indebtedness	9,192,000	-	(595,000)	8,597,000	600,000
Unamortized bond premium	1,217,502	-	(176,413)	1,041,089	160,319
Compensated absences	65,423	16,536	(16,536)	65,423	16,356
Net pension liability	1,479,819	1,125,775	(591,928)	2,013,666	-
<b>Total Business-type Activities: Sewer</b>	<b>11,954,744</b>	<b>1,142,311</b>	<b>(1,379,877)</b>	<b>11,717,178</b>	<b>776,675</b>
<b>Total Business-type Activities: All</b>	<b>\$ 23,034,945</b>	<b>\$ 1,443,554</b>	<b>\$ (2,446,199)</b>	<b>\$ 22,032,300</b>	<b>\$ 1,711,275</b>

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, 2023:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<u><i>Governmental Activities:</i></u>					
General Obligation Bonds	2.0 - 5.0%	\$11,760,000	\$ -	\$ (765,000)	\$ 10,995,000
General Obligation Refunding Bonds	2.0 - 5.0%	173,000	-	(35,000)	138,000
Total Bond and Note Indebtedness		11,933,000	-	(800,000)	11,133,000
Direct Capital Financing	2.87 - 5.09%	429,623	-	(179,444)	250,179
Total Notes from Direct Borrowings and Placements		429,623	-	(179,444)	250,179
Total Governmental Activities Long-Term Debt Obligations		12,362,623	-	(979,444)	11,383,179
<u><i>Business-type Activities - Water</i></u>					
General Obligation Bonds	2.0 - 5.0%	2,570,000	-	(145,000)	2,425,000
General Obligation Refunding Bonds	3.5 - 5.0%	5,310,000	-	(520,000)	4,790,000
Total Bond and Note Indebtedness		7,880,000	-	(665,000)	7,215,000
MCWT Note Payable	2.0%	1,194,073	-	(120,905)	1,073,168
USDA Loan	1.5%	1,110,187	-	(35,813)	1,074,374
Total Notes from Direct Borrowings and Placements		2,304,260	-	(156,718)	2,147,542
<u><i>Business-type Activities - Sewer</i></u>					
General Obligation Bonds	3.0 - 4.0%	7,730,000	-	(430,000)	7,300,000
General Obligation Refunding Bonds	2.0 - 5.0%	1,462,000	-	(165,000)	1,297,000
Total Bond and Note Indebtedness		9,192,000	-	(595,000)	8,597,000
Total Business-Type Long-Term Debt Obligations		19,376,260	-	(1,416,718)	17,959,542
Total Long-Term Debt Obligations - All		\$31,738,883	\$ -	\$ (2,396,162)	\$29,342,721

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

<i>Governmental Activities - Total Long-Term Debt Obligations</i>						
Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ 805,000	\$ 103,337	\$ 908,337	\$ 374,685	\$ 7,486	\$ 382,171
2025	810,000	91,134	901,134	344,035	4,400	348,435
2026	805,000	55,708	860,708	305,760	1,660	307,420
2027	808,000	-	808,000	270,560	-	270,560
2028	775,000	-	775,000	237,960	-	237,960
2029-2033	3,785,000	-	3,785,000	770,032	-	770,032
2034-2038	3,315,000	-	3,315,000	224,811	-	224,811
2039-2040	30,000	-	30,000	900	-	900
Total	\$ 11,133,000	\$ 250,179	\$ 11,383,179	\$ 2,528,743	\$ 13,546	\$ 2,542,289

*Business-type Activities: Water - Long-Term Debt Obligations*

Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ 685,000	\$ 159,168	\$ 844,168	\$ 197,650	\$ 36,402	\$ 234,052
2025	710,000	161,668	871,668	168,300	33,373	201,673
2026	725,000	164,219	889,219	138,150	30,294	168,444
2027	745,000	166,823	911,823	113,300	27,166	140,466
2028	750,000	169,478	919,478	94,000	23,981	117,981
2029-2033	2,620,000	609,942	3,229,942	211,550	75,812	287,362
2034-2038	700,000	179,065	879,065	70,000	48,346	118,346
2039-2043	280,000	179,065	459,065	8,400	34,916	43,316
2044-2048	-	179,065	179,065	-	21,487	21,487
2049-2053	-	179,049	179,049	-	8,057	8,057
Total	\$ 7,215,000	\$ 2,147,542	\$ 9,362,542	\$ 1,001,350	\$ 339,834	\$ 1,341,184

*Business-type Activities: Sewer - Long-Term Debt Obligations*

Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ 600,000	\$ -	\$ 600,000	\$ 296,350	\$ -	\$ 296,350
2025	595,000	-	595,000	266,350	-	266,350
2026	595,000	-	595,000	236,600	-	236,600
2027	587,000	-	587,000	206,850	-	206,850
2028	590,000	-	590,000	177,500	-	177,500
2029-2033	2,630,000	-	2,630,000	501,300	-	501,300
2034-2038	2,150,000	-	2,150,000	214,000	-	214,000
2039-2040	850,000	-	850,000	25,500	-	25,500
Total	\$ 8,597,000	\$ -	\$ 8,597,000	\$ 1,924,450	\$ -	\$ 1,924,450

*Business-type Activities: Total Long-Term Debt Obligations*

Year Ending June 30,	Principal			Interest		
	GO Bonds	Direct	Total	GO Bonds	Direct	Total
2024	\$ 1,285,000	\$ 159,168	\$ 1,444,168	\$ 494,000	\$ 36,402	\$ 530,402
2025	1,305,000	161,668	1,466,668	434,650	33,373	468,023
2026	1,320,000	164,219	1,484,219	374,750	30,294	405,044
2027	1,332,000	166,823	1,498,823	320,150	27,166	347,316
2028	1,340,000	169,478	1,509,478	271,500	23,981	295,481
2029-2033	5,250,000	609,942	5,859,942	712,850	75,812	788,662
2034-2038	2,850,000	179,065	3,029,065	284,000	48,346	332,346
2039-2043	1,130,000	179,065	1,309,065	33,900	34,916	68,816
2044-2048	-	179,065	179,065	-	21,487	21,487
2049-2053	-	179,049	179,049	-	8,057	8,057
Total	\$ 15,812,000	\$ 2,147,542	\$ 17,959,542	\$ 2,925,800	\$ 339,834	\$ 3,265,634

Authorized and Unissued Debt – At June 30, 2023, the Town carried authorized and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
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	3,500,000
Ring's Island Flood Mitigation	5,100,000
Gerrish Road Culvert / Bridge	400,000
Total authorized and unissued	<u><u>\$ 10,324,878</u></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, 2022, 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, 2022, was as follows:

Retired members and beneficiaries receiving benefits	2,096
Inactive members entitled to a return of contributions	1,087
Active members	<u>3,210</u>
Total	<u><u>6,393</u></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 the 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 \$2,018,404 to the System in fiscal year 2023, which was the actuarially determined contribution requirement for the fiscal year. This represented 27.37% of the Town's covered payroll.

Net Pension Liability – As of June 30, 2023, the Town reported a liability of \$21,048,089 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. These figures were rolled forward by the independent actuary to December 31, 2022. 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 4.5%.

Pension Expense – The Town recognized approximately \$2.9 million in pension expenses. This was recorded in the statement of activities and allocated by function.

Deferred Outflows of Resources and Deferred Inflows of Resources – As of June 30, 2023, 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	\$ 1,951,733	\$ -
Changes in assumptions	1,148,618	-
Changes in proportion differences	542,217	-
Differences between expected and actual experience	656	361,477
Totals	<u>\$ 3,643,224</u>	<u>\$ 361,477</u>

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

Year Ended June 30,	Amount
2024	\$ 742,460
2025	567,980
2026	742,002
2027	1,229,305
Total	<u>\$ 3,281,747</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 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	3% of first \$16,000
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 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	Long-Term Expected Real Rate of Return
Domestic Equity	20.50%	6.59%
International Equity	12.00%	6.87%
International Emerging Markets	4.50%	8.30%
Core fixed income	15.00%	1.53%
High Yield Fixed Income	8.00%	3.54%
Real Estate	10.00%	3.44%
Timberland	4.00%	4.01%
Hedge Fund, GTAA, Risk Parity	10.00%	3.06%
Private Equity	16.00%	9.49%
	100.00%	

**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%	\$ 26,737,219	\$ 21,048,089	\$ 16,271,143

## 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, 2023, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2023:

Active employees	95
Retirees and beneficiaries	<u>70</u>
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, 2023, the Town's average contribution rate was approximately 6.96% of covered payroll.

Net OPEB Liability – The Town's net OPEB liability was measured as of June 30, 2023, using an actuarial valuation as of July 1, 2021. The components of the net OPEB liability were as follows:

Total OPEB Liability	\$ 9,959,098
Plan fiduciary net position	<u>(873,992)</u>
Net OPEB liability	<u>\$ 9,085,106</u>
Plan fiduciary net position as a percentage of the total OPEB liability	8.78%

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	6.01% per year, net of investment expenses
Municipal bond rate	4.13% as of June 30, 2023
Discount Rate	6.01%, net of OPEB plan investment expense including inflation.
Inflation	2.50% annually as of June 30, 2023 and for future periods
Health Care Trend Rate	Getzen Model
Salary Increases	3.0% annually as of June 30, 2023 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 decreased to 6.01% from 6.1%. 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	27.50%	4.10%
Domestic Equity - Small/Mid Cap	14.50%	4.55%
International Equity - Developed Market	13.00%	4.64%
International Equity - Emerging Market	7.50%	5.45%
Domestic Fixed Income	20.75%	1.05%
International Fixed Income	4.75%	0.96%
Alternatives	8.50%	5.95%
Real Estate	3.00%	6.25%
Cash	0.50%	0.00%
	<u>100.00%</u>	
Real rate of return		3.76%
Inflation assumption		2.50%
Total nominal rate of return		6.26%
Investment expense		<u>0.25%</u>
Net investment return		<u>6.01%</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
6.01%	\$ 10,572,871	\$9,085,106	\$ 7,881,626

Health Care Rate			
Current Rate	1% lower	Current	1% greater
Getzen Model	\$ 7,741,245	\$9,085,106	\$ 10,768,662

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* – For the year ended June 30, 2023, the Town recognized OPEB expense of \$0.8 million and deferred outflows of resources and deferred inflows of resources related to OPEB were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 683,732	\$ -
Differences between expected and actual earnings	35,681	-
Changes in assumptions	1,487,195	359,164
Totals	<u>\$ 2,206,608</u>	<u>\$ 359,164</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
2024	\$ 523,617
2025	640,364
2026	396,325
2027	196,326
2028	85,828
Thereafter	4,984
Total	<u>\$ 1,847,444</u>

*Changes in the Net OPEB Liability* – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2023:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 9,448,152	\$ 658,662	\$ 8,789,490
Changes for the year:			
Service cost	215,002	-	215,002
Interest	578,104	-	578,104
Difference between expected and actual experience	-	-	-
Change in assumptions	95,512	-	95,512
Change in benefit terms	-	-	-
Net investment income	-	65,330	(65,330)
Employer contributions	-	527,672	(527,672)
Benefit payments withdrawn from trust	-	(377,672)	377,672
Benefit payments	(377,672)	-	(377,672)
Net changes	510,946	215,330	295,616
Balances at June 30, 2023	<u>\$ 9,959,098</u>	<u>\$ 873,992</u>	<u>\$ 9,085,106</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 guidelines established by the Town’s OPEB Trust Investment Policy Statement, which authorizes investments consistent with the prudent investor standard set forth in Massachusetts General Law Chapter 203c for private trust funds. OPEB Trust monies can be invested in a diversified portfolio of equities, fixed income and alternative investments; however, investing directly in real estate, private placements, letter stock, initial public offerings, unit investment trusts and business development companies is strictly prohibited.

*Investment Rate of Return* – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 9.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted to a weighted basis.

### **C. 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, 2023, the Town did not abate any property taxes under this program.

### **D. 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, 2023, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town.

*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.

#### **E. 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; \$104,500 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**

#### Current Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was 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 became effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's 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 was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was 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 became effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The adoption of this standard did not have a material impact on the Town's financial statements.

#### Future Implementations –

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, *Compensated 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.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2024 (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 Governmental Activities by increasing it by \$123,472 to reflect a change in treatment on construction in process.

**TOWN OF SALISBURY, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEARS ENDED JUNE 30, 2023**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	4.536%	\$ 21,048,089	\$ 7,264,975	289.72%	57.57%
2021	4.450%	15,467,987	6,885,294	224.65%	67.01%
2020	4.445%	17,642,614	6,481,214	272.21%	59.73%
2019	4.399%	18,532,146	6,221,054	297.89%	55.46%
2018	4.147%	17,519,189	5,717,330	306.42%	51.89%
2017	3.767%	14,179,744	5,496,084	258.00%	55.40%
2016	3.737%	14,397,953	4,884,877	294.75%	51.12%
2015	3.549%	12,894,986	4,755,506	271.16%	51.01%
2014	3.657%	12,408,280	4,576,194	271.15%	52.27%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN**

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 2,018,404	\$ 2,018,404	\$ -	\$ 7,373,950	27.37%
2022	1,845,915	1,845,915	-	6,988,573	26.41%
2021	1,716,137	1,716,137	-	6,578,432	26.09%
2020	1,579,792	1,579,792	-	6,314,370	25.02%
2019	1,486,168	1,486,168	-	5,803,090	25.61%
2018	1,265,738	1,273,581	(7,843)	5,578,525	22.83%
2017	1,168,990	1,177,505	(8,515)	4,958,150	23.75%
2016	1,054,784	1,065,237	(10,453)	4,826,839	22.07%
2015	1,006,468	1,006,468	-	4,644,837	21.67%

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, 2023**

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

	For Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 215,002	\$ 260,292	\$ 272,883	\$ 265,435	\$ 165,480	\$ 325,851	\$ 325,851
Interest	578,104	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	95,512	712,784	(415,323)	2,419,919	-	(4,051,744)	-
Benefit payments	(377,672)	(370,270)	(334,564)	(293,204)	(319,888)	(306,113)	(209,604)
Net change in total OPEB liability	510,946	(749,696)	11,935	3,495,874	323,700	(3,114,160)	484,952
Total OPEB liability - beginning of year	9,448,152	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>\$ 9,959,098</u>	<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	\$ 527,672	\$ 595,270	\$ 434,564	\$ 343,204	\$ 369,888	\$ 356,113	\$ 259,604
Net investment income	65,330	(85,340)	88,842	8,274	11,789	(1,927)	341
Benefit payments	(377,672)	(370,270)	(334,564)	(293,204)	(319,888)	(306,113)	(209,604)
Net change in Plan fiduciary net position	215,330	139,660	188,842	58,274	61,789	48,073	50,341
Plan fiduciary net position - beginning of year	658,662	519,002	330,160	271,886	210,097	162,024	111,683
Plan fiduciary net position - end of year (b)	<u>\$ 873,992</u>	<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>\$ 9,085,106</u>	<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	8.78%	6.97%	5.09%	3.24%	4.06%	3.30%	1.70%
Covered payroll	\$ 7,576,938	\$ 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	119.90%	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, 2023**

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

	For Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Actuarially-determined contribution	\$ 660,847	\$ 696,170	\$ 693,423	\$ 860,162	\$ 643,587	\$ 712,043	\$ 694,556
Contributions in relation to the actuarially-determined contribution	(527,672)	(595,270)	(434,564)	(343,204)	(369,888)	(356,113)	(259,604)
Contribution deficiency (excess)	<u>\$ 133,175</u>	<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	\$ 7,576,938	\$ 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	6.96%	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	6.01%						
Municipal Bond Rate	4.13%						
Discount Rate	6.01%						
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,						
	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	9.40%	-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, 2023**

	Budgeted Amounts		Actual	Continuing	Actual	Variance
	Original	Final	Budgetary	Appropriations and	Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
<b>Revenues:</b>						
Property taxes	\$ 25,386,689	\$ 25,386,689	\$ 25,250,226	\$ -	\$ 25,250,226	\$ (136,463)
Intergovernmental	1,507,187	1,507,187	1,489,031	-	1,489,031	(18,156)
Motor vehicle and other excise	2,558,000	2,558,000	2,594,661	-	2,594,661	36,661
Departmental and other revenue	1,038,718	1,038,718	1,001,215	-	1,001,215	(37,503)
Licenses and permits	498,925	498,925	511,525	-	511,525	12,600
Penalties and interest	80,000	80,000	50,774	-	50,774	(29,226)
Fines and forfeitures	166,000	166,000	162,092	-	162,092	(3,908)
Investment income	33,047	33,047	63,287	-	63,287	30,240
Total Revenues	<u>31,268,566</u>	<u>31,268,566</u>	<u>31,122,811</u>	<u>-</u>	<u>31,122,811</u>	<u>(145,755)</u>
<b>Expenditures:</b>						
General government	2,623,338	2,694,746	2,265,787	232,040	2,497,827	196,919
Public safety	6,401,298	6,488,447	6,165,561	23,478	6,189,039	299,408
Education	15,586,465	15,606,965	15,606,297	-	15,606,297	668
Public works	2,246,761	3,263,186	2,584,031	516,502	3,100,533	162,653
Health and human services	527,056	530,756	478,191	-	478,191	52,565
Culture and recreation	606,465	612,465	565,488	20,000	585,488	26,977
Fringe and pension benefits	3,996,225	3,995,316	3,779,456	1,000	3,780,456	214,860
State and county tax assessments	148,965	148,965	144,585	-	144,585	4,380
Debt service	1,449,632	1,449,632	1,449,631	-	1,449,631	1
Total Expenditures	<u>33,586,205</u>	<u>34,790,478</u>	<u>33,039,027</u>	<u>\$ 793,020</u>	<u>33,832,047</u>	<u>958,431</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	1,011,434	1,011,434	1,066,434		1,066,434	55,000
Transfers out	-	(411,500)	(411,500)		(411,500)	-
Total Other Financing Sources (Uses)	<u>1,011,434</u>	<u>599,934</u>	<u>654,934</u>		<u>654,934</u>	<u>55,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(1,306,205)</u>	<u>(2,921,978)</u>	<u>\$ (1,261,282)</u>		<u>\$ (2,054,302)</u>	<u>\$ 867,676</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	1,306,205	1,306,205				
Free cash transfers	-	1,615,773				
Total Other Budgetary Items	<u>1,306,205</u>	<u>2,921,978</u>				
<b>Net Budget</b>	<u>\$ -</u>	<u>\$ -</u>				

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, 2023

### 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 2023, Town Meeting approved \$1.6 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, 2023, is as follows:

	Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 31,122,811
Interest earned by stabilization funds	\$ -	\$ 44,774	44,774
Property tax revenue recognition	119,260	-	119,260
Revenue on a GAAP basis	<u>\$ 119,260</u>	<u>\$ 44,774</u>	<u>\$ 31,286,845</u>
Expenditures on a budgetary basis			\$ 33,039,027
OPEB contribution	\$ -	\$ 50,000	50,000
Indirect cost allocations	-	(878,023)	(878,023)
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ (828,023)</u>	<u>\$ 32,211,004</u>
Transfers on a budgetary basis (net)			\$ 654,934
Stabilization transfers	\$ -	\$ 200,000	200,000
OPEB contribution	-	50,000	50,000
Indirect cost allocations	-	(878,023)	(878,023)
Transfers on a GAAP basis (net)	<u>\$ -</u>	<u>\$ (628,023)</u>	<u>\$ 26,911</u>