

CITY OF SALEM

MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

Dominick Pangallo, Mayor
Anna Freedman, Finance Director



Prepared by the City of Salem Finance Department



Ships Visiting Salem Harbor
Photos courtesy of Salem Harbormaster



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JUNE 30, 2023

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Introductory Section

**Salem Art Scenes
Harbor Connector Path Sculpture Garden**



Jose Criollo
Seahorse

Introductory Section

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City of Salem, Massachusetts

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December 22, 2023

Letter of Transmittal

To the Honorable Mayor, Members of the City Council and Citizens of the City of Salem, Massachusetts:

At the close of each fiscal year, state law requires the City of Salem to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the City of Salem, Massachusetts, for the fiscal year ending June 30, 2023, for your review.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP.

The City of Salem's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Salem's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Salem, which was incorporated as a town in 1630 and became a city on March 23, 1836, is situated on the Massachusetts coast, 16 miles northeast of Boston. The City has a population of 44,452 and occupies a land area of approximately 8 square miles. The second city in the Commonwealth to be incorporated, it is the Shire City of Essex County. Salem has operated under the Plan B form of government, with a mayor and an eleven-person City Council, seven elected from wards, and four at-large, since 1915.

The Mayor is elected for four years in November of odd-numbered years. The Mayor is the administrative head of the City and chairperson ex-officio of the School Committee, the Board of Library Trustees, and the Board of Trust Fund Commissioners. The Mayor acts with the City Council and School Committee to carry out City business. The Mayor appoints their office staff, the City Solicitor, and the Assistant City Solicitor without City Council confirmation. The appointments of most City department heads, and members of the various boards and commissions, however, require City Council confirmation. The Mayor has the right to veto any order, resolution, or ordinance passed by the Council. However, a veto may be overturned by a two-thirds vote of all councilors. After reviewing and revising estimates prepared by department heads, the Mayor submits the budget to the City Council for final action. The Mayor approves all municipal payrolls, vouchers, contracts and instruments; and recommends bond issues, legislations and orders to the City Council; and represents the City with other levels of government. As the general administrator of all City departments, the Mayor is consulted by department heads pertaining to the City's welfare.

The City Council is primarily the legislative branch of the City government. As the legislative body, the Council confirms appointments made by the Mayor and appropriates all monies necessary to City operation. It can approve, disapprove, or reduce the amount of appropriations, but not add to the appropriation. The Council receives orders of recommendation by the Mayor and petitions from the public, then acts on them after committee study. The City Council also has the power to enact the ordinances and other regulations. A majority of the City Council constitutes a quorum, and the affirmative vote of a majority of all the members of the Council is necessary for the adoption of any motion, resolution, or ordinance. In some instances, adoption by a two-thirds vote of the members is required by statute.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish (for residential properties); public education, including vocational-technical education at the high school level; street maintenance; certain water services, through the Salem and Beverly Water Supply Board; certain sewerage disposal services, through the South Essex Sewerage District (SESD); and parks and recreational facilities. Approximately 95% of the City is connected to the sewerage system; the entire area of the City is served by the municipal water system. Both the Salem and Beverly Water Supply Board and the South Essex Sewerage District qualify as joint ventures. Accordingly, the City's equity interest in SESD has been included in the City's basic financial statements. The Salem Housing Authority owns and manages 715 units of low-income public housing throughout the City of Salem. There are 495 units of elderly/handicapped housing and 220 units of family housing. Additionally, the Salem Housing Authority currently administers approximately 1,130 housing vouchers through the Section 8 Housing Choice program and 29 housing vouchers for the Department of Mental Health through the Department of Housing and Community Development. The Salem Housing Authority does not meet the criteria to be considered a component unit of the City. The principal highways serving the City are state Routes 1A, 107, and 114, all of which provide immediate access to Routes 1 and 128 and other major highways serving the greater Boston area. The City is a member municipality of the Massachusetts Bay Commuter Railroad, which provides passenger and freight service.

Within 170 days after the annual organization of the City government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without recommendation of the Mayor, the City Council may not increase any item or make an appropriation for a purpose not included in the proposed budget (except by a two-thirds vote in case of the failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the City Council, pursuant to state statute). If the Council fails to act on any item of the proposed budget within 45 days, that item takes effect. The amount raised on the tax recapitulation sheet approved by the Department of Revenue for fiscal year 2023 totaled approximately \$210.7 million, which includes real & personal property tax revenue, state revenues, local revenues, transfers in of approximately \$1.6 million from receipts reserved for harbor master, Witch House and golf course (to reduce tax rate), other receipts reserved transfers, overlay surplus usage, charges for water, sewer, and trash services, and approximately \$1.5 million of indirect costs from the Water & Sewer Enterprise funds. These revenues cover general fund and enterprise fund budgeted expenses and deficits raised, including snow and ice.

Factors Affecting Economic Condition

The City of Salem is a historic waterfront community that has a rich cultural heritage, known worldwide for its architecture, maritime history, literary prominence, and witchcraft hysteria. For this reason, tourism is one of the City's major industries, accommodating almost one million visitors each year.

Salem originated as one of the earliest landing sites of the English colonists and went on to rise as the first major port in the United States, opening the East Indian trade. In its heyday, Salem was known as a thriving hub of American commerce and was the home of Nathaniel Hawthorne. Salem is well known for the infamous Salem Witchcraft Trials of 1692, when nineteen people were convicted for the crime of witchcraft and were put to their deaths.

The City's golden years have left her modern inhabitants with architectural treasures, fine museums, and a sparkling literary heritage. Equally important, the development of Salem has produced a rich ethnic history, to which people of all races, creeds, colors, and origins have contributed over the generations. Long a trading, manufacturing and retail center, Salem has been making a slow, and sometimes painful, transition to a service-based economy. The City today serves as the home of Salem State University, the North Shore Medical Center, the Essex County District Superior and Probate Courts, and Registry of Deeds, the world-famous Peabody Essex Museum, and a host of banks and other financial institutions. It is the educational, medical, legal, cultural, and banking hub of the North Shore. Salem also boasts an impressive collection of historically significant residential structures that are always in high demand. The uniqueness of these historic homes, coupled with a growing downtown condominium market, has helped boost home sales prices in Salem.

Private and Public Development-Today

The City has numerous facilities of continuing cultural and/or historical significance. These facilities contribute to making Salem a unique place that appeals to residents and attracts visitors. The visitor-based economy is important in Salem and contributes jobs and tax revenue for the City of Salem.

Peabody-Essex Museum: In 2003, the Peabody Essex Museum ("PEM") undertook the largest museum addition in America. The \$125 million expansion allows them to showcase their extensive collection of Oceanic and Asiatic art for the first time. The PEM houses a broad spectrum of artifacts representing centuries of Essex County life and industry, as well as treasures from across the world brought to the region by early navigators. The PEM consists of a downtown campus, four National Historic landmarks and several properties on the National Register of Historic Places, as well as the Yin Yu Tang, the only complete Qing Dynasty house outside China. The PEM

enjoys an attendance of approximately 250,000 visitors per year. See the section on Economic Development for overview of PEM's expansion project.

The Salem Maritime National Historic Site and Derby Wharf Lighthouse: This 9.2-acre site, operated by the National Park Service, ("NPS") is comprised of several buildings, including the original Customs House, as well as several wharves and homes. The NPS has restored the wharves and buildings. The Friendship, a full-size replica of one of Salem's historic trading ships is berthed at the site. This \$6 million project was 75 percent federally funded and has become a major cultural attraction and educational tool. The National Park Service has recently relocated the historic Pedrick's Warehouse from Marblehead to Derby Wharf and installed a pile supported dock adjacent to the building in order to facilitate interpretive display of historic maritime functions.

The House of the Seven Gables: The House of the Seven Gables was made famous by Nathaniel Hawthorne's novel of the same name. The site is a complex of the actual house occupied by Hawthorne and several adjacent historic structures. The House of Seven Gables received the prestigious designation of "Museum" status in 2008 and has been designated a National Historic Landmark District.

Salem Witch Museum: The Salem Witch Museum commemorates the famous witch trials that occurred in 1692 through an audio-visual presentation. Life-size stage settings, lighting and historically accurate narration recreate the afflicted girls, the trials and the executions of the Salem Witch Trials.

The Witch House: The Witch House was the home of one of the famous Witch Trial judges, Jonathan Corwin. The Witch House is operated by the City of Salem and is an excellent example of 17th century architecture. The site recently received interior and exterior improvements for handicapped accessibility and historic preservation.

Witch Dungeon Museum: The Witch Dungeon Museum provides a live re-enactment of the Witch Trials for visitors to the City. The presentation is adapted from the 1692 transcripts and re-enacted by professional actors.

The First Church: The First Church, located on Essex Street, was founded in 1629 and is one of the oldest, continuing Protestant congregations in North America and the first to be governed by congregational polity, a central feature of Unitarian Universalism.

Chestnut Street: Chestnut Street is a National Historic Landmark consisting of a group of homes of notable architectural significance. The homes are primarily old mansions built by Salem's successful sea captains during the early 19th century.

Pickering House: The Pickering House is the oldest house in America to be continuously occupied by the same family.

Pioneer Village: Pioneer Village, situated in Forest River Park, is a living-history Museum that depicts life in Salem in 1630. Guides in historical costumes show visitors how early Puritans lived. The site contains a thatched cottage, historic gardens, wigwams, and animals.

The Old Burying Point: Located on Charter Street, this is the oldest burying ground in Salem. The site contains the graves of a Mayflower passenger and witchcraft trial judge John Hawthorne, which is adjacent to the Salem Witch Trial Memorial. In 2016, the City completed the restoration of several headstones and tombstones developed a landscape plan for the site's restoration.

Winter Island Park: Operated by the City of Salem, Winter Island is a former U. S. Coast Guard Air and Sea Rescue Station located on Salem Harbor. The site is a seasonal recreation site with RV and tent spaces. The site also has a beach, boat launch, wind surfing, scuba diving, picnic areas and a snack bar. Historic Fort Pickering

and Fort Pickering Light are located within the site. Winter Island is now the home of “Sail Salem”, a community sailing program that provides free sailing lessons to Salem children.

Salem Wax Museum of Witches and Seafarers: The Wax Museum, opened in July of 1993, features a multi-media presentation and realistic wax figures depicting pirate and witch stories of Salem's past. The Wax Museum also offers hands-on children's activities.

Salem Witch Trials Memorial: The Salem Witch Trials Memorial was dedicated on August 5, 1992 to commemorate the 300th anniversary of the now famous Salem Witch Trials of 1692. The memorial is located adjacent to the Charter Street Burial Ground. The 20-year-old Memorial has now been restored with a rededication ceremony on September 9, 2012.

Heritage Trail: The many cultural and historic facilities in Salem are connected by the Heritage Trail. Known locally as the “Red Line”, it leads to world-renowned museums and historic homes, as well as to restaurants offering simple fare to gourmet meals, full-service hotels, inns and bed and breakfasts.

Salem Common: Salem Common has been public land since Salem's early days. Its eight acres were originally a swampy area, with several ponds and small hills. Salem's military heritage begins in 1636, when the first muster occurred on Salem Common. Today, the National Guard traces its roots to that first muster. Needing a place for regular military drills, it was voted in 1714 by the commoners to be "forever kept as a training field for the use of Salem". In 2016, the City completed Phase III of the historic fence's restoration and next phases to continue through 2026.

Baker's Island Lighthouse: The tower is located on the north end of the island. The lighthouse was automated in 1972. The island is closed to the general public and is best seen by boat.

Fort Lee: This American Revolution fort was built in 1776 and was added to the National Register of Historic Places in 1994.

The Phillips House: The Phillips House is the only home on historic Chestnut Street open to the public, and it provides a glimpse into the private world of the Phillips family during the early decades of the twentieth century.

Ye Olde Pepper Candy Companie: This is America's Oldest Candy Company, dating back to 1806, when an English woman, Mrs. Spencer, was shipwrecked and landed in Salem. Mrs. Spencer was assisted financially by residents, and what resulted was the first candy made and sold commercially in America and carried around the world by sea captains and their crew.

The tourist attractions described above are included to illustrate the continuously growing tourist economy. These attractions provide jobs and tax revenue for the City of Salem.

Public and Non-Profit Development Projects

Downtown Redevelopment

Salem has experienced over \$1.5 billion of investments in recent years throughout the City. Three geographic areas of focus are downtown, the North River Canal Corridor, and the Waterfront.

Several vacant and underutilized properties have been redeveloped into mixed-use residential/commercial buildings. The downtown alone has seen over \$125 million in private investment from projects such as the Laundry Building, The Distillery, Old Police Station Redevelopment, Bluestone Alley, 10 Federal Street, the Salem News Building, Latitude (former Tompkins Furniture Building), Old Salem Jail, Commonwealth Diagnostics, Hotel

Salem, Hampton Inn mixed use project, and Brix (the District Court redevelopment). New projects continue to be proposed, permitted, and get under construction as described below.

El Centro: The North Shore Community Development Coalition and North Shore Health Services are collaborating on a redevelopment of property located at the intersection of Derby and Lafayette Streets as well as on a nearby property on Peabody Street. The El Centro project will result in a new health center and income-restricted senior housing. The project began permitting in 2021.

Superior Court and County Commissioners Buildings: The Governor signed legislation in January 2017 to transfer ownership of these two iconic properties to the Salem Redevelopment Authority (SRA). DCAMM completed a warm mothballing project in early 2019 to maintain the properties while the SRA works to identify a redevelopment project. The SRA issued a Request for Proposals in early 2020 and selected WinnDevelopment as the preferred developer. Winn has begun the permitting process for a mixed-use mixed-income development that will adaptively reuse the court buildings and have new construction on a parking lot across the street. These buildings are the final components of the Commonwealth's judicial complex project. At the end of 2011, the \$106 million J. Michael Ruane Judicial Center, which houses District Court, opened. The \$60 million Probate and Family Court renovation component of the judicial complex was completed in 2017. The former District Court was redeveloped (see below). This court expansion in downtown Salem continues to have a significant positive economic impact on the downtown and the City.

District Court Redevelopment: The District Court building was transferred to the Salem Redevelopment Authority (SRA) in accordance with legislation passed by the Legislature for the purpose of redevelopment. The SRA solicited development proposals through a RFP process in 2015 and selected Diamond Sinacori as the designated developer. The project was projected to cost approximately \$26 million and was completed in the fall of 2021.

Washington and Dodge Street Redevelopment: This 146,000-square foot, \$50 million project includes a mixed-use development with 56 residential units, hotel with 113 rooms, 12,000 square feet of commercial space, 212 parking spaces, associated landscaping, and pedestrian and transportation improvements. The project was completed in 2020. The City was awarded a state grant in the amount of \$3.4 million for infrastructure improvements to support this project.

217-221 Essex Street: Upper floors of this property were converted from offices to 20 housing units. Construction was completed in 2020 and included the restoration of the historic façade.

Peabody Essex Museum (PEM): The PEM completed a 40,000 gross square feet expansion in 2019. It includes three floors of state-of-the-art galleries, a secondary entrance to the museum and a full basement for mechanical and electrical equipment. The project cost approximately \$49 million.

90 Washington Street: In 2018, the three-story building was redeveloped as office space with ground floor retail. The City entered into a 20-year lease for the office space to accommodate personnel located in other leased premises. The City took occupancy in April 2018.

Old Salem Jail Complex Redevelopment: The first phase was completed in 2010, which includes 23 housing units, a restaurant, and a jail exhibit. Phase 2 includes an additional 13 housing units in a new building for a total project cost of approximately \$11 million. Phase 2 was completed in summer 2018.

North River Canal Corridor Redevelopment

A second area undergoing transformation is the North River Canal Corridor, known as Blubber Hollow, adjacent to downtown. Formerly the region's whaling and then tannery center, the neighborhood has more than \$70 million

in pending development. Guided by a community-based plan, the City changed the zoning to encourage development. The pending private investments will transform the largely vacant and contaminated sites into a vibrant mix of residences, offices, and retail uses. Specific projects are:

Halstead (f/k/a Riverview Place): Located on the former Salem Suede site, Halstead consists of the demolition of an old tannery and construction of 130 residential rental units and 5,540 square feet of commercial space. Construction began in 2019 and was completed in 2021.

16, 18, 20R Franklin Street: In 2020, the project was amended and will clean up a former junkyard and result in 37 housing units.

River Rock: In September 2016, the Planning Board approved a mixed-use development containing 50 housing units and retail space. Located on the former Flynn Tan property, the 1.98-acre site contained vacant industrial buildings and land along Boston Street, a major entrance corridor into Salem and within the new North River Canal Corridor (NRCC) Neighborhood Mixed Use District. The project was completed in 2020.

9 South Mason Street: The project involves redevelopment of industrial and residential land located between Mason Street and Commercial Street in the North River Canal Corridor district. The plans total 4 buildings and 29 dwelling units, including the rehabilitation and expansion of an existing two-story concrete industrial building; expansion of a three-story residential building; and construction of two new townhouse style buildings. The project was permitted in 2016 and was completed in 2020.

Grove Street Apartments (formerly known as Legacy Apartments): This project consists of 129 residential apartments. It was approved by the Planning Board in 2012 and amended in 2015 to meet MEPA requirements. In July 2015 the project received a MEPA certificate and Superseding Order of Condition. Environmental remediation and demolition of some on-site structures is completed. Construction began in 2022.

Waterfront Development

Key changes also are rapidly occurring along Salem's shoreline, creating rare waterfront development opportunities.

Salem Harbor Power Station/Footprint Power: The new state-of-the-art, 630-megawatt gas-fired plant began operating in June 2018 and site work was completed in 2020. The new plant was developed on one-third of the site, opening up the remaining two-thirds of the 63-acre waterfront property to re-development opportunities. In June 2021, the City began collaborating with the Commonwealth of Massachusetts on the role the site could play in offshore wind. In September 2021, the City announced a public-private partnership with Vineyard Wind and Crowley Maritime Corporation to establish the site as a major offshore wind port. The Commonwealth selected the Vineyard Wind proposal in December 2021. Design and permitting of the port facility began in 2022. The facility will be operational in 2026.

Waterfront Facilities: In 2018, the City was awarded funding to expand recreational visitor access and expand economic opportunity. Projects included the Congress Street Dock, a new dinghy dock at Derby Wharf in partnership with the National Park Service, and a new gangway and small boat dock at Charlotte Forten Park. The projects were completed in 2020.

Charlotte Forten Park (289 Derby Street): In 2016, the City Council approved a \$1.4 million bond order to acquire property located at 289 Derby St. for the purpose of constructing a downtown waterfront park. Construction was completed in 2019.

Port of Salem Expansion (Salem Wharf): This \$20 million project resulted in the construction of a multi-commercial wharf facility with supporting utilities and amenities for cruise ships, commercial fishing, transient, and charter vessels. A terminal building, harbor walk, dredging, and landside improvements are part of the project. During the project's first phase undertaken in 2011, the City completed utility installation, seawall construction, base paving and installation of an interim ferry terminal. In 2012 and 2013 a combination of state and federal Ferry Boat Discretionary (FBD) Funds enabled the City to construct the second phase of the project, which consisted of the first 260 feet of pier, wave fence and a portion of the seawall, install a gangway and ramp system, install utilities and begin dredging. The City has completed Phase 3 which includes final paving, landscaping, lighting and construction of the harbor walk. In addition, the City has made improvements to the adjoining deep-water dock owned by Footprint Power and constructed a connecting walkway between Footprint's dock and the City's Blaney Street pier. Since construction of the cruise port, Salem has received visits from a number of cruise ships. Now that construction of the powerplant is complete, the Port of Salem is able to host a full schedule of ship visits. In 2017, the City completed dredging and construction of an 11-slip Commercial Marina at Blaney St. The Marina is home to seven marine businesses. It implements an important recommendation and goal of the City's Municipal Harbor Plan by creating a multi-use commercial wharf facility with deep water access for ocean-going vessels. As a result of its construction, the Port of Salem is now a full service commercial and industrial port.

South River Dredge: The maintenance dredging for the South River Channel was last performed by the US Army Corps of Engineers (USACE) in 1967. In Feb 2008, the USACE dredged the Federal Navigation Channel into Salem Harbor, the Federal Anchorage Basin off Derby Wharf, and the approach to the South River Channel but stopped short of the South River Channel because contaminated sediment that exceed the state levels for open ocean disposal were encountered. Since then, the City obtained \$155,000 from the Governor's Seaport Advisory Council for sediment testing, bathymetric survey work, cost analysis for dredge disposal options, and preliminary design and engineering of the dredge footprint for the South River Channel and the South River Basin (area west of the Congress Street Bridge). In 2012, the City received an additional \$275,000 from the Seaport Council to finish the design, engineering and permitting stage of the dredge project. The City's consultant, Apex, has prepared a Draft Environmental Impact Report and Notice of Intent. Upon the Army Corps of Engineers' final determination of the suitability of the CAD cell material for offshore disposal, the City will submit both documents to the appropriate regulatory agencies and work to identify funding sources. Once completed, the dredging will provide direct access to downtown Salem for deeper drafting vessels, transient boats, and dingy boats, which will encourage increased boating activity and support economic development.

Salem Ferry: The Salem to Boston Ferry is an alternative transportation option connecting two great cities. Named the Nathaniel Bowditch after the founder of modern maritime navigation and Salem's native son, the ferry is a high-speed catamaran that carries 149 passengers, is entirely ADA accessible and makes the trip from Salem to Boston – where it docks at Long Wharf – in less than 45 minutes. The City of Salem and the Massachusetts Bay Transportation Association (MBTA) have an agreement which allows commuters to purchase a pass that can be used both on the Ferry commuter runs and on the commuter train, strengthening the Ferry's viability as a transportation choice for daily commuters. Due to the success of the program, the City of Salem has obtained \$3.4 million in grant funding to add a second ferry. The City of Salem is one of only a few municipalities to own a ferry vessel, which it purchased with a grant from the Massachusetts Executive Office of Transportation.

Public Infrastructure Projects

The City works throughout Salem to improve infrastructure to meet the needs of residents, businesses, and visitors.

Transportation Projects

Salem Skipper: In December 2020, the City launched the Salem Skipper, an on-demand shuttle service. The first eight months of operation had more than 20,000 trips.

BlueBikes: In 2021, the City launched BlueBikes bikeshare system. The program built on the success of the Zagster bike share that logged nearly 25,000 rides in its three years of operation.

Essex Street Infrastructure Improvements: In 2022, the City completed a building face to building face reconstruction of the heavily travelled Essex Street from Washington Street to North Street.

Boston and Bridge Complete Streets Infrastructure Improvements: The City received \$3.5 million in FY2016 from MassWorks Infrastructure Grant Program funding, for “Complete Streets” streetscape improvements along Bridge Street, between Boston and Flint Street. An additional \$250,000 in grant funds was awarded to this project from MassWorks that was expended in fiscal year 2017. Construction began in 2020 and was completed in 2022.

Canal Street Improvements: The improvements included reconstruction of the roadway pavement, curbing and sidewalks. Wheelchair ramps and appropriate pedestrian crossings were added to improve pedestrian safety. Additional pedestrian improvement such as street trees and curb extensions were incorporated. Drainage and other utility improvement were made, the road crown was adjusted to provide a consistent cross slope, and settled locations were repaired. The project was completed in 2018.

Parks and Recreation Projects

Salem Willows: The City has been working on various improvements throughout Salem Willows Park. In December 2020, plans were approved for the design of a new parking lot, tennis courts, and hill area. This project was completed in 2022. In 2022, the City was awarded a \$400,000 PARC grant for the next phase of work.

Palmer Cove: In 2021, construction was completed for the first phase of renovation to Palmer Cove Park. These improvements, funded in part by a \$400,000 PARC grant, include an upgraded waterfront path, relocated and enhanced community garden space, and improvements to the basketball court. Planning for phase two is underway in 2023.

Lower Gallows Hill Park: The renovation of Lower Gallows Hill Park, funded in part by a \$400,000 PARC grant, includes reconstruction of the Ryan Brennan Memorial Skate Park, expansion of the baseball field to regulation size, improved trail connections, and upgraded drainage. The project was completed in 2022.

Lafayette Park Renovation: In fall 2017 and spring 2018, Lafayette Park was renovated to include upgraded walkways, lights, and benches, a new irrigation system, and a tree plan with an appropriate mix of sun and shade. The project was funded through \$100,000 from CPA, \$162,000 from CDBG, and \$25,000 from the Capital Improvement Plan.

Bertram Field: A complete renovation of Bertram Field football stadium and track was completed, including a synthetic turf surface expansion of the track to regulation size and installation of a resilient surface. Cost of the project is \$1.9 million and was partially funded with a Massachusetts PARC grant in the amount \$400,000.

Fort Avenue/Szetela Lane Redevelopment: This City-owned site at the intersection of Fort Avenue and Szetela Lane consists of five parcels containing approximately 2.13 acres. The property now contains an easement for the natural gas pipeline supplying the Footprint Power Plant. The City intends to improve the site with a new multi-use path connection, greenspace, and possibly parking, utilizing funds secured through the easement agreement.

Furlong Park: The City received a \$500,000 Parkland Acquisition and Renovation for Communities (PARC) Grant from the State Division of Conservation Services for the restoration of Furlong Park. The 5.5 acre park is located along the North River and contains a baseball field, tennis court, playground, and basketball court. As part of the project these features were renovated and additions to the park included construction of a car top boat launch and stabilization of the eroded embankment that borders the North River. Environmental remediation work was funded with a separate state grant. Park renovations are now complete.

Bicycling Accommodations: REDO The City undertook a demonstration project for protected bike lanes on Lafayette Street in accordance with Vision 2020. The City and the Salem Bike Path Committee continue to be committed to extending the Salem Bike Path to downtown Salem via an extension of the former Boston & Maine Railroad ROW at Canal Street, behind Gardner Mattress and all the businesses on Broadway Street, and a portion of the MBTA's active and abandoned railroad ROW. This extension has been engineered as part of the Canal Street Roadway reconstruction project and the city is seeking to secure full funding.

Other City Projects and Initiatives

The City pursues additional opportunities to make physical improvements, increase efficiencies, and improve the community.

Housing Agenda: In the spring of 2018, the City was awarded a \$59,000 housing planning grant from MassHousing. The funds are being used to implement the vision of the City's recent Imagine Salem planning process by conducting a citywide public engagement campaign around affordable housing needs, and advancing a new inclusionary zoning ordinance. The funds are also supporting a planning process to develop a mixed-use zoning overlay for Bridge Street Neck. In 2022, the City Council approved the new zoning overlay.

Artists' Row: Artists' Row, five stalls originally built as a marketplace, is located across from Old Town Hall and Derby Square. This area is at the heart of the city and continues to be an important public plaza and pedestrian way. In the spring of 2015, the City initiated the Creative Entrepreneur Program to utilize the four stalls as maker/gallery space from May to October.

EPA Brownfields Grant: The City with the City of Peabody received a \$950,000 federal grant to be utilized for a revolving loan fund to clean up contaminated sites.

Working Cities Challenge: The City successfully implemented a \$100,000 grant from the Boston Federal Reserve Bank to improve the quality of life through economic development initiatives in the Point neighborhood.

Destination Salem: Salem continues to market sale as a premier, year-round travel destination. The City continues its funding commitment to destination Salem through its annual allocation of hotel/motel tax revenue.

Residential Development

South Campus: Salem State University, through the Division of Capital Asset Management and Maintenance ("DCAMM"), is selling South Campus. In September 2022, DCAMM announced that AvalonBay Communities and WinnDevelopment are the recommended developers of the property. The project will bring approximately 350 mixed income housing units to the site which is being sold to support the University's Investment in new science building facilities.

602 Loring Avenue: The project was permitted in 2020 for 20 residential units and will be completed in 2022.

160 Federal Street and 13 Hawthorne Boulevard: In 2019, North Shore Community Development Coalition (NSCDC) permitted the adaptive reuse of two former church schools. The buildings will have a total of 62 units, some of which will be age-restricted and others which will be oriented to creative economy workers.

First and Traders Way: In 2018, a 212-unit apartment complex with 7,000 square feet of commercial space was permitted. Construction began in 2019 and was completed in 2022.

North Shore Community Development Coalition (NSCDC) Properties: The NSCDC has invested \$18.9 million in renovating 77 affordable housing units in Salem since 2016. In 2017, the CDC began the permitting process to develop two new affordable housing buildings, known as the Lighthouses, with a total of 46 units at a project cost of \$19 million. Construction on the Lighthouses began in 2022.

Clark Avenue Cluster Subdivision: The proposed plan for a 26-lot residential subdivision with approximately 1.95 acres of public open space is fully permitted and currently under construction. There is no scheduled date for completion.

Osborne Hills Subdivision (Strongwater Crossing): Currently under construction, Strongwater Crossing Subdivision is a cluster development project that includes the construction of 131 single-family homes on approximately 162 acres of land. Approximately 93 acres of the project will be permanently protected open space. The project represents one of the largest subdivisions built in Salem in recent history. Due to its size, this subdivision is being completed in phases. There is no scheduled date for completion.

Witch Hill: The construction of 23 single family homes along the extension of an existing roadway is underway. There is no scheduled date for completion.

St. Joseph's Church Redevelopment: Located on the site of the former St. Joseph's Church that was closed in 2004, this affordable housing development is a key revitalization project for the Point Neighborhood and will provide much-needed housing for the City. Phase 1 of the project is complete and includes a new building with 51 affordable housing units, commercial space, and a community room. Phase 2, which will bring an additional 37 units, began construction in 2020 and was completed in 2022.

Eaton Place/Former Elks Lodge (17 North Street): With Planning Board Site Plan Approval in December 2009 to add a third and fourth floor, the former assembly hall's conversion into six residential condominiums was completed with special care to restore the structure's historic appearance.

50 Palmer Street: This project by the Salem Harbor Community Development Corporation (CDC) included the demolition of the existing structure and the construction of a new three-story residential structure with a footprint of 7,300 square feet. The new structure is complete and consists of 15 units of affordable rental housing for low- and moderate-income households. This project was funded using a partnership of private and public sources, including funds from the City.

Institutional and Commercial Development in Other Areas of Salem

Salem enjoys a mix of businesses and markets. Markets for Salem businesses include the local population, the large tourist trade of over 1 million visitors, Salem State University, the North Shore Medical Center, and the J. Michael Ruane Judicial Center. Salem State University with its 10,000 students and large employment base generated over \$104 million for the City of Salem in direct and indirect spending, which is derived directly from employee salaries and benefits, purchased goods and services, and student spending. The North Shore Medical Center is expanding its facilities in Salem, and in 2017, the Family and Probate Court renovation project was completed marking the completion of the overall court complex on Federal Street.

Large commercial and industrial development, prominent in the Highland Avenue, Swampscott Road and Vinnin Square areas, is strong. Salem's industrial park on Technology Way houses large companies such as Salem Glass and Thermal Circuits. On Swampscott Road, a 170,000 square foot vacant building was converted to commercial condominiums and is now home to 9 businesses relocating or expanding in Salem. A number of significant national retailers such as Staples, WalMart, Home Depot, Target, Pep Boys and Petsmart are located in these areas. The City also is home to Shetland Park, a 1.5 million square foot waterfront business park abutting downtown, which houses more than 150 businesses.

Shetland Park: The City is working with the community and the Prime Group, owners of Shetland Park, to develop a framework for new investment in the property. The waterfront property is immediately adjacent to downtown. The framework plan will be completed in 2022 and set the stage for the Prime Group to move on to master planning and more detailed analysis.

Tropical Products: In 2020, Tropical Products announced it was going to build a new facility along Highland Avenue in order to grow. The project was approved for a TIF and in September 2020 received \$340,000 in state tax credits to support the expansion which will bring 120 new jobs. The project began its permitting process in September 2021. The existing facility will be sold. Construction began in 2022.

Massachusetts General Brigham Salem Hospital: In 2019 the Salem Hospital completed redevelopment of a portion of their existing hospital campus in order to better serve the surrounding community by consolidating existing uses, improving access and circulation around the hospital, and constructing a new state-of-the-art emergency services department. The Project consisted of 119,735 square feet of new building space, interior renovations, parking and driveway reconfigurations, landscape and hardscape improvements, and utility infrastructure modifications to support this use. A subsequent phase to construct a new primary entrance and lobby got underway in 2022.

Salem State University: Changes to the physical campus since 2007 are profound. Nearly 760,000 square feet of new construction and renovations have been completed or are underway, bringing state-of-the-art academic and student life spaces to campus. Through the support of the Commonwealth of Massachusetts and generous donors, combined with resources of the university's operating budget, over \$250 million has been invested in campus improvements. Highlights of these changes include the Frederick E. Berry Library and Learning Commons, the Sophia Gordon Center for Creative and Performing Arts, the Harold E. and Marilyn J. Gassett Fitness Center, athletic fields and courts, and two residence halls that provide accommodations for nearly 900 students. Efforts are currently underway to secure the Commonwealth's support for a new science facility to meet the strong demand for science, health care, and technology programming. Land sale proceeds from the disposition of South Campus will also support the science facility.

U.S. Biological Corporation: This Corporation completed the construction of a new \$3 million, 50,000 square foot headquarters building on Technology Way with the plan to have 28 new jobs within five years.

Endicott School (110 Boston Street): The former Endicott School sits on a .53-acre lot along Boston Street, a major entrance-corridor into Salem with direct access to Route 128. After a competitive RFP process, the property was sold for \$350,000 to a nonprofit organization, Children's Friend, who relocated their office from another location in Salem. The City also negotiated a PILOT Agreement with the agency.

Planning

The City's investments are guided and informed by planning studies including the following:

Housing Goals and Production Plan: In early 2021, the City was awarded a \$40,000 grant from the Executive Office for Administration and Finance (EOAF) to help create a Housing Goals and Production Plan. The plan will

create a proactive strategy for planning and developing affordable housing to meet the anticipated needs of the city. The City Council and Planning Board approved the production plan in September 2022.

Municipal Harbor Plan: The Harbor Plan update began in July 2020. The update will guide future development along Salem Harbor, most notably the reuse of the 44 acres of undeveloped land adjacent to the Footprint Power Plant. Public meetings began in August 2020. The opportunity for the Footprint site to be used for an offshore wind marshalling port arose during the development of the plan. The plan will be submitted for approval in late 2023.

Resilient Together: The City partnered with the City of Beverly for a joint climate action and resilience plan known as Resilient Together. Funded through a \$250,000 grant from the Municipal Vulnerability Program (MVP), the work included community engagement via social media campaigns, Zoom community meetings, and various other online engagement tools. The plan was completed in June 2021 and the Cities have begun to implement the priority actions. In 2022, Salem conducted a Climate Change Deep Dive Model, Alternative Analysis, and Targeted Outreach & Engagement project in the Point/Palmer Cove neighborhood.

Highland Avenue Corridor Study: In September of 2020, a corridor study for Highland Avenue commenced. The goal of the study was to develop a vision for the future of the corridor from which other action can be taken to realize the vision within a context of market dynamics. The plan was completed in April 2021.

Bridge Street Neck: A Bridge Street Neck updated vision report with recommendations was finalized in the March 2020. The first implementation step is development of a mixed-use overlay zone with design guidelines. The mixed-use overlay zone with design guidelines was approved in 2022.

South Campus: The City partnered with Salem State University to support DCAMM's development of a request for proposals for the redevelopment of the South Campus as the University consolidates its footprint to its North and Central Campuses. The redevelopment of the 21.5-acres site will be informed by the community vision completed by Sasaki Associates in April 2020.

Imagine Salem: In 2016, the City was awarded a \$30,000 Executive Office for Administration and Finance (EOAF) grant to support a citywide visioning project. In 2017, the Imagine Salem project was launched and had more than 1,900 interactions with people. The Imagine Salem Progress Report summarizes the findings and lays the path for future work.

Historic Preservation Plan Update: In 2015, the City completed the *Historic Preservation Plan Update*. The preservation plan is used to prioritize local preservation efforts. Historic preservation is a key community value and tied to the economic success of the City.

Public Art Master Plan: In recognition of the value that public art can bring to the cultural aesthetic and economic vitality of the community, the City completed a master plan for public art in partnership with the Peabody Essex Museum and the Salem Partnership, funded through the National Endowment for the Arts.

Community Preservation Projects

The Community Preservation Act (CPA) was adopted by Salem voters in November 2012. It established a local dedicated fund for the purpose of undertaking open space, historic preservation, outdoor recreation and community housing projects. It is financed by a voter-approved property tax surcharge along with annual matching funds from the statewide CPA Trust Fund. It has funded over \$3.5 million in community projects since 2014, throughout Salem including park and community garden improvements, historical building and statue restorations, conservation trails, and many more important community projects.

Workforce Statistics

According to the Massachusetts Executive Office of Labor and workforce Development, in September of 2023, the City had a labor force of 24,056, of whom, 23,380 were employed and 676, or 2.6%, were unemployed. The Commonwealth, at the same time, had an unemployment rate of 3.8%.

Financial Planning and Forecasting

In fiscal year 2009, the City modified its budget format to improve upon its content and layout. The goal was to have a comprehensive budget that would allow an average person to read and comprehend the budget and budget process of the City. It also was modeled after several budgets that were submitted and approved for the Government Financial Officer's Association (GFOA) "Distinguished Budget Presentation Award". The new model included more narrative, including goals and objectives of each department, financial forecasts, policies and glossary of financial terms. It required a significant amount of work for all department heads and especially the finance division, who had to ensure all the materials were pulled together timely for submission to both the City Council and the GFOA. As a result of our efforts, the City has been awarded the GFOA's "Distinguished Budget Presentation Award" for fiscal years 2009-2020, 2022 and 2023.

Included in the budget was the City's Five-Year Financial Forecast. This is the thirteenth year that such a forecast has been completed. This forecast acts as a useful tool to the Mayor and Council to better identify "budget busters" on the expenditure side and to also determine whether forecasted revenue growth is adequate for future expenses. Also included in the budget was the City's Five-Year Capital Improvement Plan (CIP) for the purpose of planning and maintaining the City's capital and infrastructure. The CIP includes policies on debt service and capital improvement budgeting.

As part of the fiscal year 2023 CIP, the City has authorized over \$18.9 million in general and enterprise fund capital projects.

Health Insurance

The City continues to explore options to contain the rising cost of health care for City employees/retirees. In fiscal year 2006, the City Council accepted the provisions of Massachusetts General Law (M.G.L.) chapter 32B, section 18, a Massachusetts statute requiring all Medicare-eligible retirees who are currently on self-insured plans to move from self-insured coverage to a fully insured Medicare supplement plan. This provision saved the City approximately \$700,000 in fiscal 2007 and continues to realize savings for the City. This is a major cost saving initiative that will insure that all retirees over the age of 65 are treated consistently, while also providing greater control of costs associated with the City's Healthcare Insurance.

The City has used many different approaches to keep the cost of health insurance affordable as it relates to the overall budget of the City, including the procurement of new health care providers, modifications of existing plans, and collective bargaining to modify the employee/employer apportionment of costs. However, the most significant approach was enacted in FY2012 with the City Council's adoption of the Municipal Health Care Reform Act (the Act).

As part of the Act, the City was allowed to enter into the State's Group Insurance Commission (GIC), which resulted in significant short-term savings (\$1.5 million in FY13), and long-term savings for the City. In fact, the City was able to reduce its long-term liability, also known as "other postemployment benefits" (OPEB). This year, NOL decreased from \$141.7 million in 2022 to \$126.0 million in 2023, per the City's OPEB liability report performed by the Segal Company, the City's contracted actuary.

The savings to the City employees and retirees come from lower premiums, an increase in City's contribution to PPO plans from 65% to 70%. The City also has agreed to pay all administrative fees for any person who wishes to enroll in a flexible spending account, which allows for pre-tax payments for certain medical costs, prescriptions, and some over the counter medications.

Pension Assessment

During fiscal year 2009, the Salem Contributory Retirement Board moved all available funds into the State's Public Reserve Investment Trust (PRIT) to take advantage of its higher returns and lower administrative fees. Because of its size, the PRIT can diversify assets for maximum possible return. The Retirement Board shifted these assets voluntarily to the PRIT after a complete analysis and a vote of the Retirement Board.

The City includes the Salem Contributory Retirement System (the System) in its financial reporting since the City represents approximately 84% of the members of the System. The System was established to provide retirement benefits to its members, including employees and beneficiaries of the City of Salem, the Salem-Beverly Water Supply Board, the Salem Housing Authority, the South Essex Sewerage District, and the Essex North Shore Agricultural and Technical High School District. Per the Pension Reserves Investment Management Board June 2023 report, the fair value of the System's assets totaled \$247.1 million with over 98% of the funds invested in the State's Pension Reserve Investment Trust's (PRIT) Core Fund.

The Salem Contributory Retirement Board completed its most recent actuarial valuation summary for January 1, 2022. The next actuarial valuation will take place in January 2024. The study was performed by the Segal Company and a preliminary report was delivered to the Retirement Board in April of 2022. The study reported that the actuarial value of the system's assets, as of January 1, 2022, had increased to \$277.1 million, while the system's unfunded liability decreased by \$28.7 million to \$88.1 million. The Board maintains a funding schedule which will fully amortize the existing unfunded liability by June 30, 2032, with amortization payments that increase 5.55% per year. The total fiscal 2023 City share of the annual appropriation of 84% amounted to \$14.4 million.

Other Significant Financial Matters

The Salem Harbor Power Station is the City's largest taxpayer. The power plant in August of 2012 changed ownership from Dominion Energy to Footprint Power LLC.

Early 2018, Footprint began producing electricity in the new plant Footprint has constructed a state-of-the-art 630 megawatt gas-fired plant on a portion of the site and has plans to open the remaining two-thirds of the 63 –acre waterfront property to private and public development opportunities.

From a revenue perspective, at the end of FY2011, the City's tax agreement with Dominion expired. Prior to this date, the City received a total payment from Dominion Energy in the amount of \$4.75 million for FY2011, \$3 million in tax dollars within the tax levy and \$1.75 million dollars designated as a "host fee" accounted for as miscellaneous non-recurring revenues.

In FY2011, Dominion announced major operational changes shutting down two of their power generating units due to market conditions and regulatory challenges at the state level. Due to the implementation of state regulations impacting its operations, during the FY2012 budget process, the Massachusetts Legislature adopted a proposal to ensure that Salem taxpayers will not be overly burdened by lost revenues from the power plant through 2019. Chapter 68 of the Acts of 2011, Section 33 states that "...the municipality shall be entitled to reimbursement for the difference between the amount called for prior to the full or partial decommissioning or the change in operating status of the facility." This legislation postpones the financial impact of the loss of a major taxpayer. More importantly, it allows the City to work toward replacing the lost revenues and planning for an appropriate reuse of the site.

In December 2014, the City and Footprint entered into a payment in lieu of taxes (PILOT) agreement and a Community Benefits Agreement. The PILOT agreement is in effect through fiscal year 2032 and provides specific amounts to be paid annually to the City ranging from \$4.8 million through 2019, completed power plant tax agreement starting at \$5 million in 2020 and then escalates annually to \$6.8 million in 2032. The Community Benefits Agreement provides additional sums to the City for waterfront planning, off-site emissions reduction, sustainable initiatives, public safety training, workforce retaining, pavement management and repair, Harbormaster and communications enhancements, community preservation, and Salem School and public art programs. The value of the contributions over the life of the agreement is expected to exceed \$94.4 million. On March 29, 2022 Footprint Power Salem filed for Chapter 11 bankruptcy protection. The City has been advised that at this point, Footprint has agreed to comply with the Community Benefits Agreement and the PILOT agreement.

Financial Policy

The City has set a goal to fund the General Stabilization fund in the amount of 5% of the City's current operating budget, or roughly \$8.3 million. As of June 30, 2023, the balance in the City's General Stabilization fund was \$15.9 million. The Stabilization fund shall be funded by appropriations from free cash (available funds), operating budget appropriations when available, and other one-time non-recurring revenues that become available for appropriation per Massachusetts General Law.

In fiscal 2008, the City established a second Stabilization fund (Retirement Stabilization Fund) for the funding of retirement buyouts for both City and School employees. As of June 30, 2022, the balance of this account was \$411,000. During the fiscal 2023 budget process, all department heads were asked if they anticipated any retirements and to calculate the estimated cost of each person's buyout for fiscal 2023. The goal of the Retirement Stabilization Fund is to pay for any unanticipated retirements from this Fund instead of using general fund appropriations. This will allow the departments to backfill vacancies in a timely manner without having to request a supplemental appropriation by the Council.

In fiscal 2011, the City adopted Massachusetts General Law Chapter 32B, Section 20, establishing the "Other Postemployment Benefits (OPEB) Liability Trust Fund" as a local option. This fund gives communities a mechanism to reduce the unfunded actuarial liability of health care and other post-employment benefits. The City currently has \$6.1 million in the account as of June 30, 2023. Future appropriations will be made to this fund in accordance with financial policies of the Finance Department of the City.

Free cash is the remaining unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax rate recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30th, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Massachusetts Director of Accounts. Free cash is the term used for a community's funds that are available for appropriation. Once free cash is certified, it is available for appropriation by City Council.

Free cash may be used for any lawful municipal purpose and provides communities with flexibility to fund additional appropriations after the tax rate has been set. Free cash balances do not carry forward to the next fiscal year (July 1st). The certification expires on June 30th at the end of the fiscal year.

The City's policy is to use free cash for reserves, capital, and special uses in accordance with the policies set forth by the Mayor and Finance Director. Once free cash is certified by the Director of Accounts, any drawdown of the Stabilization Fund from the prior fiscal year shall be replenished from the certified free cash if the free cash

exceeds such drawdown. Once any drawdown of Stabilization funds is replenished, allocation of the remaining free cash shall be as follows:¹

- 20% of any free cash available after funding a prior year drawdown will also be allocated from free cash to Stabilization Fund up to the goal of stabilization fund equaling 5% of the current operating budget of the City. ⁽¹⁾
- 20% of any free cash available after funding a prior year drawdown of Stabilization fund will also be allocated to the Capital Improvement Fund for funding Capital and;
- 5% of any free cash available after funding any drawdown will be allocated to the OPEB Liability Trust Fund (beginning in FY2012).

Any free cash available after funding the above may be used to augment trust funds related to fringe benefits and unfunded liabilities related to employee benefits, including Workers' Compensation Fund, Unemployment Fund, and any health benefits payable through Police and Fire operating budgets (111f settlements). Free cash available may also be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed by the department head of the affected budget.

Corona Virus (COVID-19)

In response to the outbreak of the virus, the Governor of the Commonwealth of Massachusetts declared a state of emergency on March 10, 2020. On March 13, 2020, the President declared a national emergency due to the outbreak. As a result, the Federal Government approved significant pandemic relief to communities to address emergency spending needs from March 2020 through December 2021. Salem has and will continue to apply for FEMA (Federal Emergency Management Agency) relief as the need arises. In addition, Salem was allotted up to \$3.9 million of CARES Act funding and a number smaller grant awards that focus on, PPE, small businesses, first responder safety, school remote learning and reopening, and public health and safety.

Another action at the federal level was the American Rescue Plan Act of 2021 ("ARPA"). Among other provisions, ARPA provides \$350 billion to state and local governments to mitigate the fiscal disruptions created by the pandemic. Of the approximately \$35.1 million of direct ARPA funds the City expects to receive, \$30.6 million has been programmed to date for housing/digital equity capital/open space, economic/workforce development, food security, and direct pandemic response initiatives, as well as other items consistent with the requirements of ARPA. Future plans for programming remaining funds are currently underway.

Salem responded quickly to the pandemic, the Mayor and City Council appropriated funding to address the public health crisis and implemented tax deferral and saving measures for those impacted.

Although there are no assurances regarding the extent to which the continuing COVID-19 pandemic will impact the national and state economies and, accordingly, how it will adversely impact municipalities, including Salem, FY 2021, FY 2022 and FY 2023 actual revenues exceeded budgeted projections. When combined with cost saving measures and healthy reserves, the City is confident in meeting or exceeding its obligations through FY 2024.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Salem for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. In order to receive this prestigious award, a government had to publish an easily readable

¹ The City amended its Free Cash Policy in FY 2023 to direct additional funding to capital projects as its General Stabilization Fund balance has now exceeded the initial policy goal of reaching 5% of operating budget.

and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements.

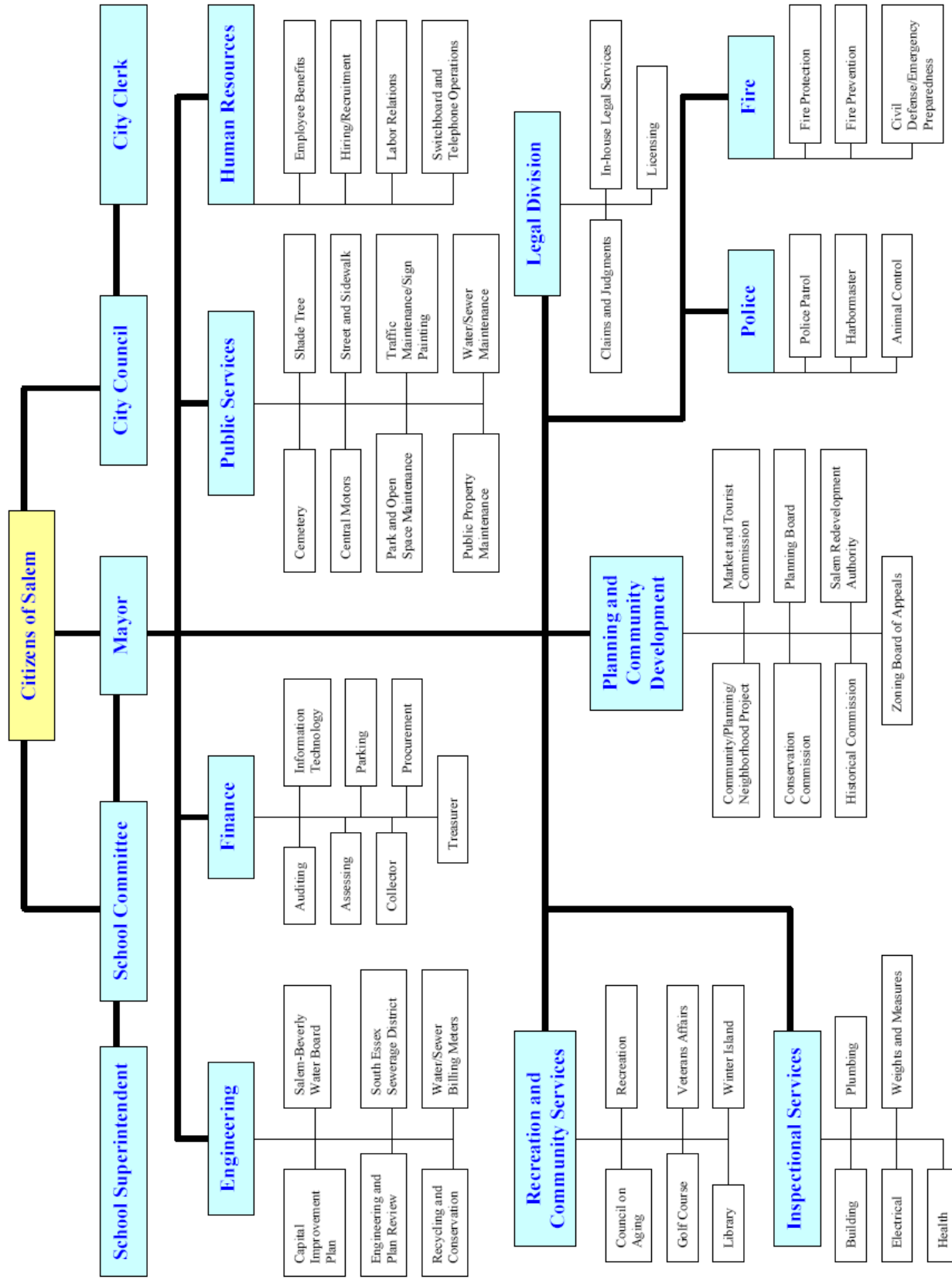
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the ACFR would not have been possible without the efficient and dedicated services of the Finance Department's staff. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Council and Mayor for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Salem's finances.

Respectfully submitted,



Anna Freedman
Finance Director



**Principal Executive Officers
As of June 30, 2023**

TITLE	NAME	FIRST TOOK OFFICE	TERM EXPIRES
Mayor	Dominick Pangallo	5/16/2023	12/31/2025
President, City Council	Megan Stott	1/1/2023	12/31/2024
Finance Director	Anna Freedman	5/3/2021	1/31/2024
Treasurer	Kristen Lindberg	3/1/2023	1/31/2025
Collector	Bonnie Celi	3/11/2004	1/31/2024
City Clerk	Ilene Simons	6/28/2018	6/28/2024
City Solicitor	Elizabeth Rennard	1/10/2006	Indefinite
Assistant Finance Director	Justin MacCutcheon	6/23/2022	1/31/2024



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**City of Salem
Massachusetts**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**City of Salem
Massachusetts**

For the Fiscal Year Beginning

July 01, 2022

Christopher P. Morill

Executive Director

Financial Section

**Salem Art Scenes
Harbor Connector Path Sculpture Garden**



Anna Dugan
Educators Appreciation Mural

Financial Section

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
City of Salem, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Massachusetts, as of June 30, 2023 (except for the Salem Contributory Retirement System which is as of and for the year ended December 31, 2022), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Salem, Massachusetts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Salem, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Salem, Massachusetts' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salem, Massachusetts' basic financial statements. The accompanying combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of the City of Salem, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Salem, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salem, Massachusetts' internal control over financial reporting and compliance.



December 22, 2023

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Salem (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of 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 finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information to demonstrate compliance with this budget.

Proprietary funds. The City maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities, trash disposal, and cable access.

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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements provide combined information for the pension and other postemployment benefit (OPEB) trust funds of the City under the caption "pension and other postemployment benefit trust fund". Private-purpose trust funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the caption "private purpose trust fund".

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. The City's governmental liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$32.2 million at the close of 2023. This represents an increase of \$11.3 million from the prior year.

Net position of \$169.6 million reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$20.0 million, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position has a year-end deficit of \$221.8 million. The primary reasons for this deficit balance are the recognition of the net other postemployment benefit liability totaling \$124.3 million and the net pension liability of \$106.3 million.

	2023	2022
Assets:		
Current assets.....	\$ 121,620,539	\$ 121,032,331
Noncurrent assets (excluding capital).....	90,468	64,844
Capital assets, non depreciable.....	13,650,032	17,418,314
Capital assets, net of accumulated depreciation....	240,885,766	238,499,752
Total assets.....	376,246,805	377,015,241
Deferred outflows of resources.....	33,362,741	23,989,078
Liabilities:		
Current liabilities (excluding debt).....	46,888,449	48,169,970
Noncurrent liabilities (excluding debt).....	240,866,286	221,615,410
Current debt.....	6,033,077	6,288,145
Noncurrent debt.....	82,520,326	82,577,962
Total liabilities.....	376,308,138	358,651,487
Deferred inflows of resources.....	65,519,500	85,869,038
Net position:		
Net investment in capital assets.....	169,569,683	172,251,531
Restricted.....	20,029,522	19,544,415
Unrestricted.....	(221,817,297)	(235,312,152)
Total net position.....	\$ (32,218,092)	\$ (43,516,206)

Overall governmental net position increased during 2023 by \$11.3 million. The increase can primarily be attributed to a decrease in the net OPEB liability and related deferred outflows and inflows of resources in the amount of \$8.4 million, a decrease in the net pension liability and related deferred outflows and inflows of resources of \$2.3 million, and the receipt of \$1.7 million in capital grants and contributions.

The operating grants and contributions increase of \$4.3 million related to grants related to the COVID-19 pandemic such as the American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) and Education Stabilization Funds as well as additional grant funding related to job training and employment programs operated by the MassHire North Shore Career Center.

Capital grants and contributions decreased \$1.5 million as the Massachusetts School Building Authority (MSBA) project was completed during fiscal year 2022 and there was a decrease in public works infrastructure project reimbursements.

Real estate and personal property tax revenue increased \$5.6 million or 5.2% over the prior year, which was consistent with the budgeted increase. In Massachusetts, proposition 2 ½ allows municipalities to increase tax rates up to 2 ½ percent of the prior levy limit adjusted for new construction and certain approved debt service.

The governmental expenses totaled \$213.8 million of which \$90.6 million was directly supported by program revenues consisting of charges for services, operating and capital grants, and contributions.

	2023	2022
Program Revenues:		
Charges for services.....	\$ 15,698,534	\$ 16,432,652
Operating grants and contributions.....	73,252,770	68,916,399
Capital grants and contributions.....	1,692,932	3,200,704
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	113,386,750	107,763,402
Tax and other liens.....	190,966	673,873
Motor vehicle and other excise taxes.....	4,719,425	4,660,371
Hotel/motel tax.....	2,124,418	1,836,111
Meals tax.....	1,527,903	1,344,412
Marijuana tax.....	886,924	1,233,984
Marijuana impact fee.....	320,437	1,958,625
Community preservation tax.....	905,183	859,285
Penalties and interest on taxes.....	538,822	576,991
Payments in lieu of taxes.....	1,198,061	1,322,695
Grants and contributions not restricted to specific programs.....	8,508,223	8,507,747
Unrestricted investment income (loss).....	2,868,699	(1,275,090)
Miscellaneous.....	402,115	885,577
Total revenues.....	228,222,162	218,897,738
Expenses:		
General government.....	17,417,595	17,854,285
Public safety.....	35,677,619	32,550,209
Education.....	126,958,011	117,501,318
Public works.....	13,762,495	12,844,904
Community development.....	1,120,375	1,924,333
Health and human services.....	10,240,624	8,851,177
Culture and recreation.....	6,739,520	5,239,600
Community preservation.....	4,496	344,261
Interest.....	1,920,794	1,971,167
Total expenses.....	213,841,529	199,081,254
Excess (Deficiency) before transfers.....	14,380,633	19,816,484
Transfers.....	(3,082,519)	(3,952,519)
Change in net position.....	11,298,114	15,863,965
Net position, beginning of year.....	(43,516,206)	(59,380,171)
Net position, end of year.....	\$ (32,218,092)	\$ (43,516,206)

Governmental activities expenses increased \$14.8 million. The increase is primarily attributable to a \$9.5 million increase in education, and a \$3.1 million increase in public safety. The education increase was related to an increase in costs of student transportation of approximately \$2 million, general fund budgetary increases for teacher salaries, a \$1.4 million increase in on-behalf payment by the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System, and a \$3.4 million increase in operating grant expenditures. The public safety increase were due to salary increases in the general fund and an increase in operating grant expenditures, primarily related to ARPA.

Business-type Activities

For the City's business-type activities, assets and deferred outflows exceeded liabilities and deferred inflows by \$24.6 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 18,641,257	\$ 18,886,394
Noncurrent assets (excluding capital).....	2,679,846	2,441,826
Capital assets, non depreciable.....	2,007,656	2,029,350
Capital assets, net of accumulated depreciation....	51,268,022	50,333,758
Total assets.....	74,596,781	73,691,328
Deferred outflows of resources.....	718,949	471,148
Liabilities:		
Current liabilities (excluding debt).....	350,270	1,607,340
Noncurrent liabilities (excluding debt).....	4,713,448	4,209,953
Current debt.....	3,245,486	3,153,941
Noncurrent debt.....	41,398,090	42,392,421
Total liabilities.....	49,707,294	51,363,655
Deferred inflows of resources.....	962,356	1,706,898
Net position:		
Net investment in capital assets.....	16,409,864	15,358,067
Unrestricted.....	8,236,216	5,733,856
Total net position.....	\$ 24,646,080	\$ 21,091,923

Business-type net position of \$16.4 million (67%) represents net investment in capital assets. The remaining \$8.2 million (33%) is available to be used for the ongoing operation of the City's water and sewer, trash, and cable access activities. There was an overall increase of \$3.6 million in net position reported in connection with the enterprise funds.

The water and sewer enterprise fund's net position of \$16.4 million (69%) represents the net investment in capital assets, while \$7.3 million (31%) is unrestricted. The water and sewer enterprise experienced a net increase of \$3.2 million in net position from the prior year. This can be attributed to an increase in the user fees rates, an increase in the investment in joint venture of \$238,000, and a decrease in the net pension liability and related deferrals of \$210,000.

The water and sewer fund pays annual assessments to the Salem Beverly Water Supply Board and to the South Essex Sewerage District, which totaled \$2.9 million and \$4.6 million, respectively. Combined, these assessments represent 56% of the fund's operating expenses for 2023. The unrestricted balance includes the City's \$2.7 million equity interest in the South Essex Sewerage District.

The City's trash enterprise fund operates on a trash fee that is set with full knowledge that the revenue will not be sufficient to cover the cost of operations. The City budgets for a subsidy from the general fund equal to the estimated cash basis deficit in the fund at year-end. During the year a \$3.1 million transfer was made from the general fund to subsidize for the budgeted deficit. As of June 30, 2023, the trash fund had an unrestricted net position of \$859,000.

In July 2019, the City established the cable access enterprise fund to account for monies received and spent for cable television public, educational and governmental (PEG) access facilities and operations. As of June 30, 2023, the cable access fund had unrestricted net position of \$80,000.

	2023	2022
Program Revenues:		
Charges for services.....	\$ 18,891,942	\$ 18,003,318
Expenses:		
Water and sewer.....	14,185,902	13,663,317
Trash.....	3,649,791	3,642,700
Cable access.....	584,611	583,799
Total expenses.....	18,420,304	17,889,816
Excess (Deficiency) before transfers.....	471,638	113,502
Transfers.....	3,082,519	3,952,519
Change in net position.....	3,554,157	4,066,021
Net position, beginning of year.....	21,091,923	17,025,902
Net position, end of year.....	\$ 24,646,080	\$ 21,091,923

Financial Analysis of the Government's Funds

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

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

In accordance with generally accepted accounting standards, the City reports the components of fund balance as nonspendable, restricted, committed, assigned and unassigned, based on restrictions on spending. Additionally, the City's stabilization funds are reported within the general fund as unassigned, except for the special education and opioid stabilization funds which are reported as committed.

As of the end of the current year, governmental funds reported combined ending fund balances of \$74.1 million of which \$30.6 million was reported in the general fund, \$3.0 million in the community preservation fund, \$13.8 million in the capital improvement fund and \$26.7 million was reported in the nonmajor governmental funds. Cumulatively there was an increase of \$631,000 in fund balances from the prior year.

The general fund is the City's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$27.8 million, while total fund balance was \$30.6 million. The general fund balance decreased by \$4.4 million in 2023. Real estate and personal property taxes are the primary revenues used to fund the general fund and the amounts allowed to be raised yearly are limited by Proposition 2 1/2. Real estate and personal property taxes increased \$4.8 million (4%). Other significant increases in revenues were investment income which increased \$2 million. Total expenditures increased \$7 million which was consistent with the budgeted increase.

The community preservation fund had an ending restricted fund balance at June 30, 2023, of \$3.0 million. These funds are attributable to the City's acceptance of the Community Preservation Act, which allows the City to impose up to a 1% surcharge on property taxes and to receive matching State grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historical resources, land for recreational use and community housing. The City reported local community preservation tax revenue of \$905,000 and state matching grant funds of \$301,000. During fiscal year 2023, \$263,000 was expended on various smaller community preservation projects.

The ARPA fund is used to account for the funds received through the Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA), and the related expenditures. The City recognized \$3.8 million and reported the same in corresponding expenditures in the current year. The City has reported the \$30.2 million received as unearned revenue and will recognize these funds as revenue when the qualifying expenditures are incurred.

The capital improvement fund is used to account for the projects in the City's capital improvement plan. The fund had a year-end fund balance of \$13.8 million. The fund recognized \$2.9 million in bond proceeds and \$6.6 million in transfers in from the general fund as funding sources for ongoing projects. The \$7.8 million of expenditures related to roadway and sidewalk infrastructure, parking garage repairs and improvements, and public safety vehicles.

Cumulatively, nonmajor governmental funds had a net increase of \$1.9 million to \$26.7 million. The increase primarily relates to timing difference between the issuance of long-term debt and the related expenditures within the capital fund and significant investment income in the permanent funds. The funds represent the activity of other nonmajor capital projects, special revenue funds, and permanent trust funds.

General Fund Budgetary Highlights

The City's final general fund operating budget included \$184.2 million in total current year appropriations and amounts carried forward from the prior year, to be funded with \$167.2 million in estimated receipts and approximately \$3.4 million in transfers from other funds.

The \$14.1 million increase between the original budget and the final amended budget was due to several council orders issued throughout the year to appropriate available funds. The most notable components of this increase included \$10.5 million of available funds (free cash) appropriated to fund stabilization reserves, capital improvements, other postemployment benefits trust, pension reserves and various additional departmental appropriations.

The actual general fund revenues came in \$3.6 million higher than budgeted. The City does not budget revenue for tax liens which totaled \$568,000. Additionally, investment income, hotel/motel tax, charges for services, departmental and other, fines and forfeitures reported budgetary surpluses of \$1.7 million, \$834,000, \$748,000, \$665,000, and \$603,000 respectively.

The City's general fund reported expenditures and encumbrances less than appropriations by \$1.8 million. The most significant turnback related to the school department, which turned back \$802,000 from a \$74.1 million budget. The budget was overspent by \$304,000 for state and county charges. These over-expenditures are allowed under state law. In addition, the City overspent minor amounts in two other budget lines.

On a budgetary basis, the general fund ended the year with a net decrease of \$6.1 million, primarily due to the use of free cash noted above.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$254.5 million and \$53.3 million, respectively, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, intangible right-to-use buildings, buildings and improvements, equipment, vehicles and infrastructure related to governmental and business-type activities. The City's total investment in capital assets during the current year totaled \$10.9 million for governmental activities and \$2.3 million for business-type activities.

Major governmental additions included emergency response vehicles, Signature Parks renovations, Bond Street bridge improvements, roadway and sidewalk improvements, Museum Place garage and other garage upgrades and various other improvements.

Capital improvements for business-type activities were mainly for water infrastructure including water main and hydrant improvements, sewer infrastructure improvements and various other annual improvements.

Debt Administration. Outstanding long-term debt, including unamortized premiums, totaled \$84.0 million for the governmental activities as of June 30, 2023.

Outstanding debt of the water and sewer enterprise fund, including unamortized premiums, totaled \$44.6 million and was used to fund various repairs, maintenance and infrastructure projects.

The City issued \$8.0 million in general obligation bonds for both governmental and business-type activities. The bond issued in November 2023 permanently financed short-term debt, therefore the City has presented the \$7 million issuance as long-term within the financial statements. The City redeemed \$8.1 million of long-term debt in 2023. The bond was rated AA by Standard & Poor's (S&P).

Please refer to notes 4, 6, 7 and 8 in the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Salem's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City Hall, 93 Washington Street, Salem, Massachusetts 01970.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 91,755,330	\$ 14,800,717	\$ 106,556,047
Investments.....	23,118,213	-	23,118,213
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,068,597	-	1,068,597
Tax liens.....	1,650,330	-	1,650,330
Community preservation fund surcharge.....	10,368	-	10,368
Motor vehicle and other excise taxes.....	767,122	-	767,122
User fees.....	-	3,840,540	3,840,540
Departmental and other.....	1,429,652	-	1,429,652
Intergovernmental.....	1,618,963	-	1,618,963
Community preservation state share.....	168,700	-	168,700
Loans.....	33,264	-	33,264
Total current assets.....	121,620,539	18,641,257	140,261,796
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Loans.....	90,468	-	90,468
Investment in joint venture.....	-	2,679,846	2,679,846
Capital assets, nondepreciable.....	13,650,032	2,007,656	15,657,688
Capital assets, net of accumulated depreciation.....	240,885,766	51,268,022	292,153,788
Total noncurrent assets.....	254,626,266	55,955,524	310,581,790
TOTAL ASSETS.....	376,246,805	74,596,781	450,843,586
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	18,326,416	508,543	18,834,959
Deferred outflows related to other postemployment benefits.....	15,036,325	210,406	15,246,731
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	33,362,741	718,949	34,081,690
LIABILITIES			
CURRENT:			
Warrants payable.....	2,967,920	19,398	2,987,318
Accrued payroll.....	5,363,787	22,712	5,386,499
Tax refunds payable.....	3,147,900	-	3,147,900
Accrued interest.....	657,543	305,227	962,770
Other liabilities.....	958,273	-	958,273
Unearned revenue.....	30,159,670	-	30,159,670
Landfill closure.....	1,125,000	-	1,125,000
Compensated absences.....	2,399,150	2,933	2,402,083
Workers' compensation.....	109,206	-	109,206
Right-to-use lease liabilities.....	247,495	-	247,495
Long-term debt.....	5,785,582	3,245,486	9,031,068
Total current liabilities.....	52,921,526	3,595,756	56,517,282
NONCURRENT:			
Landfill closure.....	1,125,000	-	1,125,000
Compensated absences.....	7,864,271	25,146	7,889,417
Workers' compensation.....	1,322,378	-	1,322,378
Net pension liability.....	106,289,164	2,949,442	109,238,606
Net other postemployment benefits liability.....	124,265,473	1,738,860	126,004,333
Right-to-use lease liabilities.....	4,302,754	-	4,302,754
Long-term debt.....	78,217,572	41,398,090	119,615,662
Total noncurrent liabilities.....	323,386,612	46,111,538	369,498,150
TOTAL LIABILITIES.....	376,308,138	49,707,294	426,015,432
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	3,310,069	91,852	3,401,921
Deferred inflows related to other postemployment benefits.....	62,209,431	870,504	63,079,935
TOTAL DEFERRED INFLOWS OF RESOURCES.....	65,519,500	962,356	66,481,856
NET POSITION			
Net investment in capital assets.....	169,569,683	16,409,864	185,979,547
Restricted for:			
Loans.....	123,732	-	123,732
Permanent funds:			
Expendable.....	7,216,708	-	7,216,708
Nonexpendable.....	1,894,529	-	1,894,529
Gifts and grants.....	7,580,828	-	7,580,828
Community preservation.....	3,213,725	-	3,213,725
Unrestricted.....	(221,817,297)	8,236,216	(213,581,081)
TOTAL NET POSITION.....	\$ (32,218,092)	\$ 24,646,080	\$ (7,572,012)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Program Revenues					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 17,417,595	\$ 1,264,850	\$ 4,930,599	\$ -	\$ (11,222,146)	
Public safety.....	35,677,619	6,171,072	2,070,821	-	(27,435,726)	
Education.....	126,958,011	802,544	56,748,877	-	(69,406,590)	
Public works.....	13,762,495	3,571,973	1,983,034	1,460,184	(6,747,304)	
Community development.....	1,120,375	180,820	982,077	-	42,522	
Health and human services.....	10,240,624	885,631	5,682,658	-	(3,672,335)	
Culture and recreation.....	6,739,520	2,821,644	854,704	-	(3,063,172)	
Community preservation.....	4,496	-	-	232,748	228,252	
Interest.....	1,920,794	-	-	-	(1,920,794)	
Total Governmental Activities.....	213,841,529	15,698,534	73,252,770	1,692,932	(123,197,293)	
<i>Business-Type Activities:</i>						
Water and sewer.....	14,185,902	17,364,882	-	-	3,178,980	
Trash.....	3,649,791	937,468	-	-	(2,712,323)	
Cable access.....	584,611	589,592	-	-	4,981	
Total Business-Type Activities.....	18,420,304	18,891,942	-	-	471,638	
Total Primary Government.....	\$ 232,261,833	\$ 34,590,476	\$ 73,252,770	\$ 1,692,932	\$ (122,725,655)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(123,197,293)	\$ 471,638	\$ (122,725,655)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	113,386,750	-	113,386,750
Tax and other liens.....	190,966	-	190,966
Motor vehicle and other excise taxes.....	4,719,425	-	4,719,425
Hotel/motel tax.....	2,124,418	-	2,124,418
Meals tax.....	1,527,903	-	1,527,903
Marijuana tax.....	886,924	-	886,924
Marijuana impact fee.....	320,437	-	320,437
Community preservation tax.....	905,183	-	905,183
Penalties and interest on taxes.....	538,822	-	538,822
Payments in lieu of taxes.....	1,198,061	-	1,198,061
Grants and contributions not restricted to specific programs.....	8,508,223	-	8,508,223
Unrestricted investment income (loss).....	2,868,699	-	2,868,699
Miscellaneous.....	402,115	-	402,115
<i>Transfers, net</i>	<u>(3,082,519)</u>	<u>3,082,519</u>	<u>-</u>
Total general revenues and transfers.....	<u>134,495,407</u>	<u>3,082,519</u>	<u>137,577,926</u>
Change in net position.....	11,298,114	3,554,157	14,852,271
<i>Net position:</i>			
Beginning of year.....	<u>(43,516,206)</u>	<u>21,091,923</u>	<u>(22,424,283)</u>
End of year..... \$	<u><u>(32,218,092)</u></u>	<u><u>24,646,080</u></u>	<u><u>(7,572,012)</u></u>

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	Community Preservation Fund	ARPA Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 24,624,483	\$ 3,034,657	\$ 30,162,730	\$ 13,766,074	\$ 20,167,386	\$ 91,755,330
Investments.....	14,705,141	-	-	-	8,413,072	23,118,213
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	1,068,597	-	-	-	-	1,068,597
Tax liens.....	1,650,330	-	-	-	-	1,650,330
Community preservation fund surcharge.....	-	10,368	-	-	-	10,368
Motor vehicle and other excise taxes.....	767,122	-	-	-	-	767,122
Departmental and other.....	-	-	-	-	1,429,652	1,429,652
Intergovernmental.....	-	-	-	-	1,618,963	1,618,963
Community preservation state share.....	-	168,700	-	-	-	168,700
Loans.....	-	-	-	-	123,732	123,732
Due from other funds.....	1,282,150	-	-	-	-	1,282,150
TOTAL ASSETS.....	\$ 44,097,823	\$ 3,213,725	\$ 30,162,730	\$ 13,766,074	\$ 31,752,805	\$ 122,993,157
LIABILITIES						
Warrants payable.....	\$ 1,873,598	\$ -	\$ -	\$ 5,776	\$ 1,088,546	\$ 2,967,920
Accrued payroll.....	5,241,344	-	3,060	1,635	117,748	5,363,787
Tax refunds payable.....	3,147,900	-	-	-	-	3,147,900
Due to other funds.....	-	-	-	-	1,282,150	1,282,150
Other liabilities.....	-	-	-	-	958,273	958,273
Unearned revenue.....	-	-	30,159,670	-	-	30,159,670
TOTAL LIABILITIES.....	10,262,842	-	30,162,730	7,411	3,446,717	43,879,700
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	3,197,960	179,068	-	-	1,608,628	4,985,656
FUND BALANCES						
Nonspendable.....	-	-	-	-	1,894,529	1,894,529
Restricted.....	-	3,034,657	-	13,758,663	24,973,121	41,766,441
Committed.....	826,561	-	-	-	-	826,561
Assigned.....	1,976,714	-	-	-	-	1,976,714
Unassigned.....	27,833,746	-	-	-	(170,190)	27,663,556
TOTAL FUND BALANCES.....	30,637,021	3,034,657	-	13,758,663	26,697,460	74,127,801
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 44,097,823	\$ 3,213,725	\$ 30,162,730	\$ 13,766,074	\$ 31,752,805	\$ 122,993,157

See notes to basic financial statements.

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

JUNE 30, 2023

Total governmental fund balances.....	\$ 74,127,801
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	254,535,798
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	4,985,656
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(32,156,759)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(657,543)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Long-term debt.....	(84,003,154)
Net pension liability.....	(106,289,164)
Net other postemployment benefits liability.....	(124,265,473)
Landfill closure.....	(2,250,000)
Right-to-use lease liabilities.....	(4,550,249)
Workers' compensation.....	(1,431,584)
Compensated absences.....	(10,263,421)
Net effect of reporting long-term liabilities.....	<u>(333,053,045)</u>
Net position of governmental activities.....	<u>\$ (32,218,092)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	Community Preservation Fund	ARPA Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 112,775,756	\$ -	\$ -	\$ -	\$ -	\$ 112,775,756
Tax liens.....	567,633	-	-	-	-	567,633
Motor vehicle and other excise taxes.....	4,611,573	-	-	-	-	4,611,573
Hotel/motel tax.....	2,124,418	-	-	-	-	2,124,418
Meals tax.....	1,527,903	-	-	-	-	1,527,903
Marijuana tax.....	886,924	-	-	-	-	886,924
Marijuana impact fee.....	320,437	-	-	-	-	320,437
Charges for services.....	2,247,884	-	-	-	1,031,417	3,279,301
Penalties and interest on taxes.....	534,762	1,270	-	-	2,790	538,822
Payments in lieu of taxes.....	1,198,061	-	-	-	-	1,198,061
Licenses and permits.....	535,742	-	-	-	-	535,742
Fines and forfeitures.....	1,402,740	-	-	-	-	1,402,740
Intergovernmental - state aid.....	35,319,707	-	-	-	-	35,319,707
Intergovernmental - Teachers Retirement.....	11,130,460	-	-	-	-	11,130,460
Intergovernmental - other.....	-	301,048	3,849,763	-	29,226,635	33,377,446
Departmental and other.....	4,646,230	-	-	-	8,732,419	13,378,649
Community preservation taxes.....	-	905,183	-	-	-	905,183
Contributions and donations.....	-	-	-	-	241,117	241,117
Investment income (loss).....	1,877,931	48,463	-	-	942,305	2,868,699
TOTAL REVENUES.....	181,708,161	1,255,964	3,849,763	-	40,176,683	226,990,571
EXPENDITURES:						
Current:						
General government.....	8,814,747	-	1,841,956	480,802	2,066,143	13,203,648
Public safety.....	23,744,374	-	707,344	1,596,135	3,908,045	29,955,898
Education.....	72,018,734	-	-	1,068,545	20,096,501	93,183,780
Public works.....	6,504,658	-	124,250	4,373,425	4,163,391	15,165,724
Community development.....	-	-	-	-	1,120,375	1,120,375
Health and human services.....	1,706,797	-	886,440	-	7,233,096	9,826,333
Culture and recreation.....	3,577,605	-	279,983	292,923	1,204,885	5,355,396
Community preservation.....	-	263,489	-	-	-	263,489
Pension benefits.....	14,205,287	-	-	-	-	14,205,287
Pension benefits - Teachers Retirement.....	11,130,460	-	-	-	-	11,130,460
Employee benefits.....	17,472,997	-	-	-	-	17,472,997
State and county charges.....	10,092,708	-	-	-	-	10,092,708
Debt service:						
Principal.....	5,323,021	-	-	-	-	5,323,021
Interest.....	2,948,719	-	-	-	-	2,948,719
Principal payments on right-to-use leases.....	237,806	-	-	-	-	237,806
Interest payments on right-to-use leases.....	187,194	-	-	-	-	187,194
TOTAL EXPENDITURES.....	177,965,107	263,489	3,839,973	7,811,830	39,792,436	229,672,835
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,743,054	992,475	9,790	(7,811,830)	384,247	(2,682,264)
OTHER FINANCING SOURCES (USES):						
Issuance of long-term debt.....	-	-	-	2,893,931	2,889,604	5,783,535
Premium from issuance of debt.....	-	-	-	543,406	68,704	612,110
Transfers in.....	1,792,337	-	-	6,588,011	352,648	8,732,996
Transfers out.....	(9,984,012)	-	(9,790)	-	(1,821,713)	(11,815,515)
TOTAL OTHER FINANCING SOURCES (USES).....	(8,191,675)	-	(9,790)	10,025,348	1,489,243	3,313,126
NET CHANGE IN FUND BALANCES.....	(4,448,621)	992,475	-	2,213,518	1,873,490	630,862
FUND BALANCES AT BEGINNING OF YEAR.....	35,085,642	2,042,182	-	11,545,145	24,823,970	73,496,939
FUND BALANCES AT END OF YEAR.....	\$ 30,637,021	\$ 3,034,657	\$ -	\$ 13,758,663	\$ 26,697,460	\$ 74,127,801

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....		\$ 630,862
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.		
Capital outlay.....	10,896,486	
Depreciation expense.....	<u>(12,278,754)</u>	
Net effect of reporting capital assets.....		(1,382,268)
Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....		
		1,231,591
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.		
Issuance of long-term debt.....	(5,783,535)	
Premium from issuance of debt.....	(612,110)	
Net amortization of premium from issuance of debt.....	1,147,522	
Debt service principal payments.....	5,323,021	
Principal payments on right-to-use lease liabilities.....	<u>237,806</u>	
Net effect of reporting long-term debt.....		312,704
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.		
Net change in compensated absences accrual.....	(444,852)	
Net change in accrued interest on long-term debt.....	67,597	
Net change in deferred outflow/(inflow) of resources related to pensions.....	36,756,324	
Net change in net pension liability.....	(34,466,109)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(7,033,123)	
Net change in net other postemployment benefits liability.....	15,384,809	
Net change in workers' compensation liability.....	<u>240,579</u>	
Net effect of recording long-term liabilities.....		<u>10,505,225</u>
Change in net position of governmental activities.....		<u>\$ 11,298,114</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Trash	Cable Access	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 13,652,275	\$ 1,068,038	\$ 80,404	\$ 14,800,717
Receivables, net of allowance for uncollectibles:				
User fees.....	3,786,344	54,196	-	3,840,540
Total current assets.....	17,438,619	1,122,234	80,404	18,641,257
NONCURRENT:				
Investment in joint venture.....	2,679,846	-	-	2,679,846
Capital assets, non depreciable.....	2,007,656	-	-	2,007,656
Capital assets, net of accumulated depreciation.....	51,268,022	-	-	51,268,022
Total noncurrent assets.....	55,955,524	-	-	55,955,524
TOTAL ASSETS.....	73,394,143	1,122,234	80,404	74,596,781
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	480,291	28,252	-	508,543
Deferred outflows related to other postemployment benefits.....	199,732	10,674	-	210,406
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	680,023	38,926	-	718,949
LIABILITIES				
CURRENT:				
Warrants payable.....	19,398	-	-	19,398
Accrued payroll.....	21,832	880	-	22,712
Accrued interest.....	305,227	-	-	305,227
Compensated absences.....	2,933	-	-	2,933
Bonds payable.....	3,245,486	-	-	3,245,486
Total current liabilities.....	3,594,876	880	-	3,595,756
NONCURRENT:				
Compensated absences.....	25,146	-	-	25,146
Net pension liability.....	2,785,584	163,858	-	2,949,442
Net other postemployment benefits liability.....	1,650,657	88,203	-	1,738,860
Bonds payable.....	41,398,090	-	-	41,398,090
Total noncurrent liabilities.....	45,859,477	252,061	-	46,111,538
TOTAL LIABILITIES.....	49,454,353	252,941	-	49,707,294
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	86,749	5,103	-	91,852
Deferred inflows related to other postemployment benefits.....	826,347	44,157	-	870,504
TOTAL DEFERRED INFLOWS OF RESOURCES.....	913,096	49,260	-	962,356
NET POSITION				
Net investment in capital assets.....	16,409,864	-	-	16,409,864
Unrestricted.....	7,296,853	858,959	80,404	8,236,216
TOTAL NET POSITION.....	\$ 23,706,717	\$ 858,959	\$ 80,404	\$ 24,646,080

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Trash	Cable Access	Total
OPERATING REVENUES:				
Charges for services.....	\$ 17,364,882	\$ 937,468	\$ 589,592	\$ 18,891,942
OPERATING EXPENSES:				
Cost of services and administration.....	4,434,935	3,649,791	584,611	8,669,337
District assessments.....	7,460,091	-	-	7,460,091
Depreciation.....	1,421,557	-	-	1,421,557
TOTAL OPERATING EXPENSES.....	13,316,583	3,649,791	584,611	17,550,985
OPERATING INCOME (LOSS).....	4,048,299	(2,712,323)	4,981	1,340,957
NONOPERATING REVENUES (EXPENSES):				
Interest expense.....	(869,319)	-	-	(869,319)
INCOME (LOSS) BEFORE TRANSFERS.....	3,178,980	(2,712,323)	4,981	471,638
TRANSFERS:				
Transfers in.....	-	3,082,519	-	3,082,519
CHANGE IN NET POSITION.....	3,178,980	370,196	4,981	3,554,157
NET POSITION AT BEGINNING OF YEAR.....	20,527,737	488,763	75,423	21,091,923
NET POSITION AT END OF YEAR.....	\$ 23,706,717	\$ 858,959	\$ 80,404	\$ 24,646,080

See notes to basic financial statements.

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

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Trash	Cable Access	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 17,006,492	\$ 937,447	\$ 589,592	\$ 18,533,531
Payments to vendors.....	(11,280,800)	(3,975,644)	(584,611)	(15,841,055)
Payments to employees.....	(1,189,854)	(64,478)	-	(1,254,332)
NET CASH FROM OPERATING ACTIVITIES.....	4,535,838	(3,102,675)	4,981	1,438,144
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	-	3,082,519	-	3,082,519
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of long-term debt.....	2,197,680	-	-	2,197,680
Premium from the issuance of debt.....	198,306	-	-	198,306
Acquisition and construction of capital assets.....	(3,318,391)	-	-	(3,318,391)
Principal payments on long-term debt.....	(2,806,142)	-	-	(2,806,142)
Interest expense.....	(1,395,664)	-	-	(1,395,664)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(5,124,211)	-	-	(5,124,211)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(588,373)	(20,156)	4,981	(603,548)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	14,240,648	1,088,194	75,423	15,404,265
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 13,652,275	\$ 1,068,038	\$ 80,404	\$ 14,800,717
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>				
<u>FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 4,048,299	\$ (2,712,323)	\$ 4,981	\$ 1,340,957
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	1,421,557	-	-	1,421,557
Deferred (outflows)/inflows related to pensions.....	(998,052)	(67,928)	-	(1,065,980)
Deferred (outflows)/inflows related to other postemployment benefits.....	76,808	(3,171)	-	73,637
Changes in assets and liabilities:				
User charges.....	(358,390)	(21)	-	(358,411)
Investment in joint venture.....	(238,020)	-	-	(238,020)
Warrants payable.....	58,079	(295,919)	-	(237,840)
Accrued payroll.....	4,700	84	-	4,784
Compensated absences.....	(5,421)	-	-	(5,421)
Net pension liability.....	788,444	15,922	-	804,366
Net other postemployment benefits liability.....	(262,166)	(39,319)	-	(301,485)
Total adjustments.....	487,539	(390,352)	-	97,187
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,535,838	\$ (3,102,675)	\$ 4,981	\$ 1,438,144
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Acquisition of capital assets on account.....	\$ 984,264	\$ -	\$ -	\$ 984,264

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Pension and Other Employee Benefit Trust Fund (1)	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ 1,291,453	\$ 572,578
Investments:		
Investments in Pension Reserve Investment Trust.....	240,735,646	-
Equity securities.....	-	1,109,872
Equity mutual funds.....	3,904,470	-
Fixed income mutual funds.....	1,325,292	613,287
Repurchase agreements.....	5,752,723	-
Receivables, net of allowance for uncollectibles:		
Reimbursements from other systems.....	63,125	-
Capital assets, net of accumulated depreciation.....	69,531	-
TOTAL ASSETS	253,142,240	2,295,737
LIABILITIES		
Warrants payable.....	13,349	-
NET POSITION		
Restricted for pensions.....	247,051,959	-
Restricted for other postemployment benefits.....	6,076,932	-
Held in trust for other purposes.....	-	2,295,737
TOTAL NET POSITION	\$ 253,128,891	\$ 2,295,737

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

See notes to basic financial statements.

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

	Pension and Other Employee Benefit Trust Fund (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 18,006,569	\$ -
Employer contributions for other postemployment benefit payments.....	4,511,197	-
Member contributions.....	5,760,697	-
Transfers from other systems.....	496,233	-
3(8)c contributions from other systems.....	425,748	-
State COLA reimbursements.....	67,145	-
Member makeup payments and redeposits.....	32,541	-
Reimbursement of 91A overearnings.....	4,967	-
Private donations.....	-	136,506
Total contributions.....	29,305,097	136,506
Net investment income (loss):		
Investment income (loss).....	(29,408,078)	186,553
Less: investment expense.....	(1,253,711)	-
Net investment income (loss).....	(30,661,789)	186,553
TOTAL ADDITIONS.....	(1,356,692)	323,059
DEDUCTIONS:		
Administration.....	422,911	-
Transfers to other systems.....	528,944	-
3(8)c transfer to other systems.....	780,296	-
Retirement benefits and refunds.....	21,278,575	-
Depreciation.....	3,125	-
Other postemployment benefit payments.....	4,511,197	-
Health and human services.....	-	31,844
Educational scholarships.....	-	41,038
TOTAL DEDUCTIONS.....	27,525,048	72,882
NET INCREASE (DECREASE) IN NET POSITION.....	(28,881,740)	250,177
NET POSITION AT BEGINNING OF YEAR.....	282,010,631	2,045,560
NET POSITION AT END OF YEAR.....	\$ 253,128,891	\$ 2,295,737

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

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a Massachusetts municipal corporation with a Mayor-Council form of government. The Mayor is elected at large for a four-year term. The City Council is comprised of eleven members elected for two-year terms from seven wards and four at-large.

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

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

The Salem Contributory Retirement System (System) was established to provide retirement benefits to City employees, the Salem Housing Authority employees, the South Essex Sewerage District employees, the Salem-Beverly Water Supply Board employees, the Essex North Shore Agricultural & Technical School employees and their beneficiaries. The System is governed by a five-member board comprised of the Finance Director (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the other board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System issued a separate GAAP based audited financial statement along with a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). These reports may be obtained by contacting the System located at 20 Central Street, Suite 110, Salem, Massachusetts 01970.

Joint Ventures – The following are joint ventures of the City.

The City is a member of the South Essex Sewerage District (the District), a joint venture with the Cities of Salem, Peabody, and Beverly and the Towns of Danvers, Marblehead, and Middleton, for the operation of a septage disposal facility. The members share in overseeing the operations of the District. Each member is responsible for its proportionate share of the operational costs of the District, which are paid in the form of assessments. The 2023 assessment totaled \$4.6 million. As of June 30, 2023, the City's equity interest in the operations of the District totaled \$2.7 million, which is recorded in the Water and Sewer Enterprise Fund. Complete financial statements for the District can be obtained by contacting them at 50 Fort Avenue, Salem, MA 01970.

The City is a member of the Salem-Beverly Water Supply Board (Water Board), a joint venture with the City of Beverly for the operation of a water distribution system. The City does not have an equity interest in the Salem-

Beverly Water Supply Board. The annual assessment from the Water Board for the year ended June 30, 2023, totaled \$2.9 million. Complete financial information for the Water Board can be obtained by contacting them at 50 Arlington Avenue, Beverly, MA 01915.

The City is a member of the Essex North Shore Agricultural & Technical School that serves the members' students seeking an education in academic, technical and agriculture studies. The members' share in the operations of the School and each member is responsible for its proportionate share of the operational and capital cost of the School, which are paid in the form of assessments. The City does not have an equity interest in the Essex North Shore Agricultural & Technical School and the 2023 assessment was \$2.6 million.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are

recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental funds are reported:

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

The *community preservation fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, and community housing. The City is allowed to impose a surcharge on property taxes and to receive matching state funds for these specified uses.

The *ARPA fund* is used to account for the funds received through the Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA), and the related expenditures.

The *capital improvement fund* is used to account for the City's capital improvement plan projects.

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

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

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

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

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

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

The following major proprietary funds are reported:

The *water and sewer enterprise fund* is used to account for the City's water and sewer activities.

The *trash enterprise fund* is used to account for the solid waste disposal activities.

The *cable access enterprise fund* is used to account for the local access television activities.

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

The following fiduciary fund types are reported:

The *pension and other employee benefit trust* fund is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries and to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. Investments that do not have an established market are reported at estimated fair values.

E. Fair Value Measurements

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

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

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

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially

affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes, Tax Liens and Tax Foreclosures

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

The City has the ability to process real estate tax liens on delinquent properties. Tax liens are processed once a year following the first quarter of the following year. Liens are recorded as receivables in the year they are processed.

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

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

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

Community Preservation Surcharges

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

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

User Fees

Water and Sewer user fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. The City abides by a strict policy for unpaid user fees which includes liening any unpaid balance plus interest to the corresponding real estate tax bills.

Trash user fees are levied monthly based on the number of units located on the property. The monthly per unit fee collected is \$30.64 for commercial and \$21.12 for residential. Collection from any owner occupied property shall not exceed \$134.16 per month. Unpaid trash fees are subject to interest and demand fees; any fees not paid within thirty (30) days may be liened to the property in the following years' real estate bill.

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

Departmental and Other

Departmental and other receivables consist primarily of harbor mooring and slip fees and fire detail fees that are recorded as receivables in the year accrued.

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

Intergovernmental

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

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

Loans

Loan receivables are comprised of funds advanced to small businesses and developers under various Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG). The City loans funds to owners of commercial and residential properties for the purpose of rehabilitating these properties. The City receives funding for these loans from the U.S Department of Housing and Urban Development (HUD) under Community Development Block Grant (CDBG) programs for the City. These loans are repaid to the City under various terms and conditions stipulated by each loan agreement. The loan repayments may be used by the City for any eligible activity relevant to the community development program.

G. Inventories and Prepaid Items

Government-Wide and Fund Financial Statements

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. This excludes vehicles, which will all be capitalized.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20 - 30
Intangible right-to-use buildings....	20
Buildings and improvements.....	40
Equipment.....	5 - 10
Vehicles.....	5 - 15
Infrastructure.....	15 - 80

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred inflows and outflows of resources. These separate financial statement elements represent either an acquisition or consumption of fund balance that applies to a future period(s) and so will *not* be recognized until that time. The City has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements. The governmental funds did not have any deferred outflows of resources at year-end.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

Net position has been “restricted for” the following:

“Loans” represents community development outstanding loan receivable balances which are funded through the Community Development Block Grant program. The loan repayments are subject to various restrictions which are imposed by the grantors.

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

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

“Community preservation” amounts held for uses restricted by law for community preservation purposes.

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

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. An order of the City Council is the highest level of decision-making authority that can commit or rescind funds for a specific purpose. Once voted, the limitation imposed by the order remains in place until the funds are used for their intended purpose or an order is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The City Finance Director has the authority to assign fund balance. Funds are assigned when the City has an obligation to purchase goods or services from the current years’ appropriation.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount.

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

M. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Intangible Right-to-Use Lease Liability

Government-Wide and Proprietary Fund Financial Statements

Intangible right-to-use lease liabilities are reported at the present value of their future minimum lease payments. Lease payments are reported as reductions of the lease liability and as interest expense during the lease term.

Governmental Fund Financial Statements

The present value of the future minimum lease payments are reported within the governmental funds as other financing sources and a capital expenditure. Lease payments are reported as debt service expenditures.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Salem Contributory Retirement System and the Massachusetts Teachers’ Retirement System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are

reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Investment Income

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

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Appropriation and Fund Deficits

Deficits exist at June 30, 2023, in the other special revenue fund. This deficit will be funded by departmental revenues and available fund balance.

Actual expenditures exceeded for state and county charges, by \$303,862, State and County assessments are not required to be raised in the subsequent year. In addition, the City exceeded the appropriations for short term interest and fire personnel costs by \$18,281 and \$20,101 respectively, these deficits will be raised in the subsequent year.

S. Use of Estimates

Government-Wide and Fund Financial Statements

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

T. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer and Trust Fund Commission may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth; provided, that not more than 15% of any trust fund may be invested in bank stocks and insurance company stocks, and not more than 15% of any trust fund can be invested in the stock of any one bank or insurance company.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. There are no limitations or restrictions on participant withdrawals, i.e. no redemption notice periods, maximum transaction amounts, ability of pool to impose liquidity fees or redemption gates.

The City participates in MMDT which is unrated. MMDT maintains a cash portfolio with weighted average maturity of approximately 33 days. The fair value of the position of the Pool is the same as the value of the Pool shares.

The City Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2023, \$6,076,932, from the OPEB Trust Fund is included within the City's cash and investment balances in the following disclosures.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares. The System also has expanded investment powers which are governed by Chapter 32 of the general laws of the Commonwealth and by the regulations issued by the Public Employee Retirement Administration Commission (PERAC). The existing law provides that Systems will invest in securities other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The System participates in PRIT which is unrated. The effective weighted duration rate for PRIT investments ranged from 1.98 to 14.64 years. There is no credit quality rating for the fund.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$107,009,336 and the bank balance totaled \$110,766,668. Of the bank balance, \$1,787,025 was covered by Federal Depository Insurance, \$10,604,895 was covered by the Depositors Insurance Fund,

\$45,356,523 was collateralized and \$53,018,225 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The System does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$444,283 and the bank balance totaled \$478,904. The entire bank balance was covered by Federal Depository Insurance.

Investments

As of June 30, 2023, the City had the following investments:

Investment Type	Fair value	Maturity	
		Under 1 Year	1-5 Years
Debt securities:			
U.S. treasury notes.....	\$ 5,043,017	\$ 1,010,223	\$ 4,032,794
Government sponsored enterprises....	372,714	-	372,714
Corporate bonds.....	7,057,057	2,827,070	4,229,987
Total debt securities.....	12,472,788	\$ 3,837,293	\$ 8,635,495
Other investments:			
Equity securities.....	8,641,856		
Equity mutual funds.....	3,904,470		
Fixed income mutual funds.....	5,052,020		
Money market mutual funds.....	883,906		
MMDT - Cash portfolio.....	82,553		
Total investments.....	\$ 31,037,593		

As of December 31, 2022, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Repurchase agreement.....	\$ 5,752,723
Pension Reserve Investment Trust (PRIT).....	240,735,646
Total investments.....	<u>\$ 246,488,369</u>

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Citywide investment policy, as well as the investment policy specifically for OPEB funds, addresses custodial credit risk by requiring all securities not held directly by the City to be held in the City's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The City's investments in U.S. treasury notes, government sponsored enterprises, corporate bonds and equity securities are covered by this policy.

The System's investments are not subject to custodial credit risk as all of the securities are insured or registered and held by its agents in the name of the Salem Contributory Retirement Board.

Interest Rate Risk

The City has a formal investment policy limiting investment maturities up to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not have a formal investment policy related to interest rate risk.

Credit Risk

The City has not adopted a formal policy related to Credit Risk. The investment ratings were as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds
AAA.....	\$ -	\$ 616,318
AA+.....	372,714	-
A+.....	-	1,983,042
A.....	-	608,228
BBB.....	-	2,043,612
BBB+.....	-	1,805,857
Total.....	\$ 372,714	\$ 7,057,057

The System has not adopted a formal policy related to Credit Risk. The repurchase agreement and PRIT investments are unrated.

Concentration of Credit Risk

The City restricts investments to no more than 5% in any one issuer. The City did not have more than 5% of its investments in any one individual security.

The System places no limit on the amount the government may invest in any one issuer. The System did not have more than 5% of its investments in any one individual security.

Fair Value Measurement

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

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

The following table presents financial assets at June 30, 2023, that the City measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 5,043,017	\$ 5,043,017	\$ -	\$ -
Government sponsored enterprises.....	372,714	372,714	-	-
Corporate bonds.....	7,057,057	-	7,057,057	-
Total debt securities.....	12,472,788	5,415,731	7,057,057	-
<u>Other investments:</u>				
Equity securities.....	8,641,856	8,641,856	-	-
Equity mutual funds.....	3,904,470	3,904,470	-	-
Fixed income mutual funds.....	5,052,020	5,052,020	-	-
Money market mutual funds.....	883,906	883,906	-	-
Total other investments.....	18,482,252	18,482,252	-	-
Total investments measured at fair value.....	30,955,040	\$ 23,897,983	\$ 7,057,057	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	82,553			
Total investments.....	\$ 31,037,593			

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

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

The System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the System's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at December 31, 2022, that the System measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	December 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Repurchase agreement.....	\$ 5,752,723	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,752,723</u>
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)....	<u>240,735,646</u>			
Total investments.....	\$ <u>246,488,369</u>			

Repurchase agreements classified in level 3 are valued using either a discounted cash flow or market comparable company's technique.

PRIT Investments are valued using the net asset value (NAV) method. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2023, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.... \$	1,068,597	\$ -	\$ 1,068,597
Tax liens.....	1,650,330	-	1,650,330
Community preservation fund surcharge....	10,368	-	10,368
Motor vehicle and other excise taxes.....	1,088,822	(321,700)	767,122
Departmental and other.....	1,621,152	(191,500)	1,429,652
Intergovernmental.....	1,618,963	-	1,618,963
Community preservation state share.....	168,700	-	168,700
Loans.....	123,732	-	123,732
Total..... \$	<u>7,350,664</u>	<u>\$ (513,200)</u>	<u>\$ 6,837,464</u>

At June 30, 2023, receivables for the water and sewer and trash enterprise funds consisted of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water and sewer user fees..... \$	3,786,344	\$ -	\$ 3,786,344
Trash user fees.....	54,196	-	54,196
Total..... \$	<u>3,840,540</u>	<u>-</u>	<u>\$ 3,840,540</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	780,508	\$ -	\$ 780,508
Tax liens.....	1,650,330	-	1,650,330
Community preservation fund surcharge.....	-	10,368	10,368
Motor vehicle and other excise taxes.....	767,122	-	767,122
Departmental and other.....	-	1,429,652	1,429,652
Intergovernmental - highway improvements.....	-	55,244	55,244
Community preservation state share.....	-	168,700	168,700
Loans.....	-	123,732	123,732
Total..... \$	<u>3,197,960</u>	<u>\$ 1,787,696</u>	<u>\$ 4,985,656</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 7,930,619	\$ 100,000	\$ -	\$ 8,030,619
Construction in progress.....	9,487,695	3,011,353	(6,879,635)	5,619,413
Total capital assets not being depreciated.....	17,418,314	3,111,353	(6,879,635)	13,650,032
<u>Capital assets being depreciated:</u>				
Land improvements.....	35,490,461	2,012,649	-	37,503,110
Intangible right-to-use buildings.....	5,016,552	-	-	5,016,552
Buildings and improvements.....	252,457,264	1,191,740	-	253,649,004
Equipment.....	16,294,571	1,102,007	(144,977)	17,251,601
Vehicles.....	6,506,719	1,427,022	(32,775)	7,900,966
Infrastructure.....	90,378,035	8,931,350	-	99,309,385
Total capital assets being depreciated.....	406,143,602	14,664,768	(177,752)	420,630,618
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,930,112)	(1,540,090)	-	(9,470,202)
Intangible right-to-use buildings.....	(313,535)	(313,535)	-	(627,070)
Buildings and improvements.....	(110,219,631)	(5,970,557)	-	(116,190,188)
Equipment.....	(10,965,004)	(1,037,034)	144,977	(11,857,061)
Vehicles.....	(4,459,726)	(648,679)	32,775	(5,075,630)
Infrastructure.....	(33,755,842)	(2,768,859)	-	(36,524,701)
Total accumulated depreciation.....	(167,643,850)	(12,278,754)	177,752	(179,744,852)
Total capital assets being depreciated, net.....	238,499,752	2,386,014	-	240,885,766
Total governmental activities capital assets, net.....	\$ 255,918,066	\$ 5,497,367	\$ (6,879,635)	\$ 254,535,798
Water and Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 110,141	\$ -	\$ -	\$ 110,141
Construction in progress.....	1,919,209	694,264	(715,958)	1,897,515
Total capital assets not being depreciated.....	2,029,350	694,264	(715,958)	2,007,656
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	267,372	-	-	267,372
Vehicles.....	834,280	33,657	-	867,937
Infrastructure.....	66,193,873	2,322,164	-	68,516,037
Total capital assets being depreciated.....	67,295,525	2,355,821	-	69,651,346
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(131,030)	(7,370)	-	(138,400)
Vehicles.....	(407,185)	(45,647)	-	(452,832)
Infrastructure.....	(16,423,552)	(1,368,540)	-	(17,792,092)
Total accumulated depreciation.....	(16,961,767)	(1,421,557)	-	(18,383,324)
Total capital assets being depreciated, net.....	50,333,758	934,264	-	51,268,022
Total water and sewer activities capital assets, net....	\$ 52,363,108	\$ 1,628,528	\$ (715,958)	\$ 53,275,678

In the fiduciary activities, the Retirement System owns a condominium, which is being depreciated on a straight-line basis over 40 years. The historical cost of the condominium was \$125,000; accumulated depreciation through December 31, 2022, totals \$55,469, for a net book value of \$69,531.

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

Governmental Activities:

General government.....	\$ 1,617,200
Public safety.....	787,754
Education.....	5,356,055
Public works.....	3,411,916
Health and human services.....	8,580
Culture and recreation.....	<u>1,097,249</u>
Total depreciation expense - governmental activities...	<u>\$ 12,278,754</u>

Business-Type Activities:

Water and sewer.....	<u>\$ 1,421,557</u>
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Fiduciary Activities:

Pension Trust.....	<u>\$ 3,125</u>
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NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City's interfund balances at June 30, 2023 consisted of \$1,282,150 in balances due to the general fund from the nonmajor governmental funds representing interfund borrowings for cash flow purposes.

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

Transfers Out:	Transfers In:				Total	
	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Trash Enterprise Fund		
General Fund.....	\$ -	\$ 6,588,011	\$ 313,482	\$ 3,082,519	\$ 9,984,012	(1)
ARPA Fund.....	-	-	9,790	-	9,790	(2)
Nonmajor Governmental Funds.....	<u>1,792,337</u>	-	<u>29,376</u>	-	<u>1,821,713</u>	(3)
Total.....	<u>\$ 1,792,337</u>	<u>\$ 6,588,011</u>	<u>\$ 352,648</u>	<u>\$ 3,082,519</u>	<u>\$ 11,815,515</u>	

(1) Transfer from general fund to capital improvement fund to finance capital projects from free cash; to nonmajor governmental funds to fund the 400th anniversary fund, to fund the sale of city property; and for grants matches and funding of deficits. Transfer to trash enterprise fund for the City's subsidized portion.

(2) Transfer from the ARPA fund to the nonmajor governmental for a reallocation of resources.

(3) Transfer from nonmajor governmental funds, receipts reserved for appropriation, to the general fund to reduce amount raised by taxation and for supplemental appropriations. Transfers between nonmajor governmental funds for a reallocation of resources.

NOTE 6 – LEASES

The City has entered into a facility lease agreement for the City Hall Annex. The cost of the lease for the year ended June 30, 2023 totaled \$425,000, and is reported as debt service on leases in the general fund. A corresponding intangible right-to-use building in the amount of the present value of the future lease payments has been added to capital assets.

The following identifies the balance of the intangible right-to-use assets recorded under lease agreements along with the related accumulated depreciation:

	Governmental Activities
<u>Asset:</u>	
Intangible right-to-use buildings.....	\$ 5,016,552
Less: accumulated depreciation.....	(627,070)
Total.....	<u>\$ 4,389,482</u>

The future minimum lease payments as of June 30, 2023, were as follows:

Years ending June 30:	Principal	Interest	Total
2024.....	\$ 247,495	\$ 177,505	\$ 425,000
2025.....	257,578	167,422	425,000
2026.....	268,072	156,928	425,000
2027.....	278,994	146,006	425,000
2028.....	290,360	134,640	425,000
2029.....	302,190	122,810	425,000
2030.....	314,502	110,498	425,000
2031.....	327,315	97,685	425,000
2032.....	340,651	84,349	425,000
2033.....	354,529	70,471	425,000
2034.....	368,973	56,027	425,000
2035.....	384,006	40,994	425,000
2036.....	399,651	25,349	425,000
2037.....	415,933	9,067	425,000
Total.....	<u>\$ 4,550,249</u>	<u>\$ 1,399,751</u>	<u>\$ 5,950,000</u>

NOTE 7 – SHORT-TERM FINANCING

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

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

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

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
Governmental Funds:							
BAN	General Obligation.....	6.00%	11/17/23	\$ -	\$ 5,069,767	\$ (5,069,767)	\$ -
Water and Sewer Enterprise Fund:							
BAN	General Obligation.....	6.00%	11/17/23	\$ -	\$ 2,195,559	\$ (2,195,559)	\$ -

On November 17, 2023, the City issued \$7 million of long-term general obligation bonds, all of which related to the BANs outstanding at year end. Therefore, the City has recognized \$7 million of bond proceeds, along with the related bond premium, in the governmental and enterprise funds.

NOTE 8 – LONG-TERM DEBT

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

Details related to the outstanding general obligation indebtedness at June 30, 2023, and the debt service requirements are reported in the following tables.

Long-Term Debt Schedule – Governmental Activities

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Capital Financing:				
Pump Truck Capital Financing.....	2024	\$ 559,960	2.59	\$ <u>85,765</u>
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2013.....	2043	15,143,598	2.63-4.00	10,820,000
Municipal Purpose Refunding Bonds of 2014....	2025	2,509,500	3.00-4.00	220,000
Municipal Purpose Bonds of 2014.....	2034	6,680,000	3.00-4.00	3,745,000
Municipal Purpose Bonds of 2015.....	2035	4,860,000	2.50-4.00	2,015,000
Municipal Purpose Bonds of 2016.....	2036	5,845,000	2.50-4.00	2,027,672
Municipal Purpose Bonds of 2017.....	2036	5,707,000	3.00-4.00	2,035,000
Municipal Purpose Refunding Bonds of 2017....	2037	3,312,000	3.00-4.00	1,547,000
Municipal Purpose Bonds of 2018.....	2038	7,349,229	3.13-5.00	3,045,000
Municipal Purpose Bonds of 2019.....	2049	13,146,358	3.00-5.00	11,210,000
Municipal Purpose Bonds of 2020.....	2050	6,937,000	2.00-5.00	6,425,000
Municipal Purpose Bonds of 2021.....	2051	21,723,827	2.00-5.00	20,740,000
Municipal Purpose Refunding Bonds of 2021....	2026	629,880	5.00	449,530
Municipal Purpose Bonds of 2022.....	2043	9,327,262	4.00-5.00	10,232,881
Municipal Purpose Bonds of 2023.....	2044	4,877,916	4.00-5.00	<u>4,877,916</u>
Total General Obligation Bonds Payable.....				79,389,999
Add: Unamortized premium on bonds.....				<u>4,527,390</u>
Total Long-term Debt, net.....				\$ <u><u>84,003,154</u></u>

Debt service requirements for governmental long-term debt payable in future years were as follows:

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2024.....\$	5,157,615	\$ 2,931,819	\$ 8,089,434
2025.....	5,694,250	2,791,860	8,486,110
2026.....	5,375,834	2,424,422	7,800,256
2027.....	5,180,030	2,190,098	7,370,128
2028.....	4,772,030	1,970,868	6,742,898
2029.....	3,950,030	1,775,736	5,725,766
2030.....	3,940,030	1,601,284	5,541,314
2031.....	3,950,030	1,431,060	5,381,090
2032.....	3,895,030	1,266,437	5,161,467
2033.....	3,970,030	1,111,294	5,081,324
2034.....	3,760,030	963,121	4,723,151
2035.....	3,390,030	839,238	4,229,268
2036.....	2,885,030	740,556	3,625,586
2037.....	2,510,000	656,525	3,166,525
2038.....	2,400,000	579,116	2,979,116
2039.....	2,190,000	507,611	2,697,611
2040.....	2,135,000	440,411	2,575,411
2041.....	2,110,000	373,608	2,483,608
2042.....	2,150,000	305,834	2,455,834
2043.....	1,990,000	238,461	2,228,461
2044.....	1,075,000	191,045	1,266,045
2045.....	1,015,000	163,792	1,178,792
2046.....	1,040,000	137,795	1,177,795
2047.....	1,055,000	111,206	1,166,206
2048.....	1,080,000	83,591	1,163,591
2049.....	1,110,000	54,828	1,164,828
2050.....	860,000	29,502	889,502
2051.....	750,000	9,374	759,374
Total.....\$	<u>79,389,999</u>	<u>\$ 25,920,492</u>	<u>\$ 105,310,491</u>
Year	Capital Financing:		
	Principal	Interest	Total
2024.....\$	<u>85,765</u>	<u>\$ 2,207</u>	<u>\$ 87,972</u>

Long-term Debt Schedule – Water and Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Direct Borrowings Payable:				
Water Project - MCWT.....	2027	\$ 2,330,656	2.00	\$ 544,455
General Obligation Bonds Payable:				
Water Improvements of 2013.....	2033	1,412,402	2.63-4.00	815,000
Sewer Improvements of 2013.....	2033	1,435,000	2.63-4.00	805,000
Sewer Improvements of 2014.....	2034	3,900,000	3.00-4.00	2,495,000
Sewer Improvements of 2015.....	2035	2,300,000	2.50-4.00	1,380,000
Sewer Improvements of 2016.....	2036	2,650,000	2.00-5.00	1,670,000
Water Improvements of 2016.....	2025	3,600,000	2.00-5.00	785,000
Sewer Improvements of 2017.....	2036	2,650,000	3.00-4.00	2,060,000
Water Improvements of 2017.....	2036	4,095,000	3.00-4.00	2,305,000
Water Refunding Bonds of 2017.....	2028	1,463,000	4.00	723,000
Water Improvements of 2018.....	2048	2,660,000	3.13-5.00	2,260,000
Sewer Improvements of 2018.....	2048	4,890,771	3.13-5.00	4,290,000
Sewer Improvements of 2019.....	2037	2,260,269	2.00-5.00	1,522,328
Water & Sewer Improvements of 2019.....	2050	7,649,067	3.00-5.00	7,070,000
Water & Sewer Improvements of 2020.....	2050	1,158,000	2.00-5.00	1,075,000
Water & Sewer Improvements of 2021.....	2051	4,108,383	2.00-5.00	3,960,000
Water & Sewer Refunding Bonds of 2021.....	2030	2,897,910	5.00	2,465,470
Water & Sewer Improvements of 2022.....	2043	4,112,119	4.00-5.00	4,112,119
Water & Sewer Improvements of 2023.....	2044	2,142,084	4.00-5.00	2,142,084
Subtotal General Obligation Bonds Payable.....				41,935,001
Add: Unamortized premium on bonds.....				2,164,120
Total Long-term Debt, net.....				\$ 44,643,576

Debt service requirements for the water and sewer enterprise fund general obligation and direct borrowings payable in future years were as follows:

Year	General Obligation Bonds Payable:		
	Principal	Interest	Total
2024.....	\$ 2,842,385	\$ 1,543,232	\$ 4,385,617
2025.....	3,015,750	1,466,205	4,481,955
2026.....	2,714,166	1,292,946	4,007,112
2027.....	2,389,970	1,185,218	3,575,188
2028.....	2,317,970	1,086,318	3,404,288
2029.....	2,174,970	989,425	3,164,395
2030.....	2,079,970	899,150	2,979,120
2031.....	2,114,970	813,878	2,928,848
2032.....	1,994,970	734,682	2,729,652
2033.....	2,009,970	659,264	2,669,234
2034.....	1,909,970	585,768	2,495,738
2035.....	1,659,970	522,287	2,182,257
2036.....	1,514,970	469,879	1,984,849
2037.....	1,355,000	424,004	1,779,004
2038.....	1,025,000	385,854	1,410,854
2039.....	1,040,000	351,800	1,391,800
2040.....	1,080,000	316,070	1,396,070
2041.....	1,085,000	277,963	1,362,963
2042.....	1,130,000	238,339	1,368,339
2043.....	1,155,000	196,721	1,351,721
2044.....	920,000	159,826	1,079,826
2045.....	810,000	131,928	941,928
2046.....	830,000	106,435	936,435
2047.....	855,000	78,874	933,874
2048.....	890,000	50,303	940,303
2049.....	515,000	20,678	535,678
2050.....	355,000	8,590	363,590
2051.....	150,000	1,879	151,879
Total.....	\$ 41,935,001	\$ 14,997,516	\$ 56,932,517

Year	Direct Borrowings Payable:		
	Principal	Interest	Total
2024.....	\$ 132,058	\$ 9,569	\$ 141,627
2025.....	134,726	6,901	141,627
2026.....	137,447	4,179	141,626
2027.....	140,224	1,402	141,626
Total.....	\$ 544,455	\$ 22,051	\$ 566,506

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2023, the City had the following authorized and unissued debt:

Purpose	Amount
General Government Capital Projects.....	\$ 15,825,376
Collins School Improvement.....	4,360,410
Other School Projects.....	2,623,799
Transfer Station.....	1,530,673
Signature Parks Improvement Program.....	4,568,462
Canal Street Sewer Upgrades - Phase II.....	14,700,000
Canal Street SSU Flood Mitigation Improvements - Phase II..	9,432,988
Ocean Ave Stormwater Pump Station.....	10,500,000
Other Water and Sewer Upgrades.....	18,362,323
Total.....	<u>\$ 81,904,031</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term general obligation bonds payable....	\$ 78,504,765	\$ 5,783,535	\$ (4,898,301)	\$ -	\$ -	\$ 79,389,999	\$ 5,157,615
Long-term capital financing.....	510,485	-	(424,720)	-	-	85,765	85,765
Add: Unamortized premium on bonds.....	5,062,802	612,110	(1,147,522)	-	-	4,527,390	542,202
Total long-term debt payable.....	84,078,052	6,395,645	(6,470,543)	-	-	84,003,154	5,785,582
Right-to-use leases.....	4,788,055	-	-	-	(237,806)	4,550,249	247,495
Landfill closure.....	2,250,000	-	-	-	-	2,250,000	1,125,000
Compensated absences.....	9,818,569	-	-	2,736,387	(2,291,535)	10,263,421	2,399,150
Workers' compensation.....	1,672,163	-	-	8,831	(249,410)	1,431,584	109,206
Net pension liability.....	71,823,055	-	-	48,505,843	(14,039,734)	106,289,164	-
Net other postemployment benefits liability.....	139,650,282	-	-	109,450	(15,494,259)	124,265,473	-
Total governmental activity long-term liabilities.....	<u>\$ 314,080,176</u>	<u>\$ 6,395,645</u>	<u>\$ (6,470,543)</u>	<u>\$ 51,360,511</u>	<u>\$ (32,312,744)</u>	<u>\$ 333,053,045</u>	<u>\$ 9,666,433</u>
Business-Type Activities:							
Long-term general obligation bonds payable....	\$ 42,414,020	\$ 2,197,680	\$ (2,676,699)	\$ -	\$ -	\$ 41,935,001	\$ 2,842,385
Long-term direct borrowings payable.....	673,898	-	(129,443)	-	-	544,455	132,058
Add: Unamortized premium on bonds.....	2,458,444	198,306	(492,630)	-	-	2,164,120	271,043
Total long-term debt payable.....	45,546,362	2,395,986	(3,298,772)	-	-	44,643,576	3,245,486
Compensated absences.....	33,500	-	-	23,547	(28,968)	28,079	2,933
Net pension liability.....	2,145,076	-	-	1,193,958	(389,592)	2,949,442	-
Net other postemployment benefits liability.....	2,040,345	-	-	198,860	(500,345)	1,738,860	-
Total business-type activity long-term liabilities.....	<u>\$ 49,765,283</u>	<u>\$ 2,395,986</u>	<u>\$ (3,298,772)</u>	<u>\$ 1,416,365</u>	<u>\$ (918,905)</u>	<u>\$ 49,359,957</u>	<u>\$ 3,248,419</u>

Long-term liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund and the sewer and water and trash enterprise funds, except for debt incurred by the community preservation act fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The City classifies fund balances according to the constraints imposed on the use of the resources. There are two major types of fund balances, which are nonspendable and spendable.

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

Spendable fund balances are classified based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the City from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the City to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

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

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year end the balances of the general stabilization fund and the retirement stabilization fund totaled \$15.9 million and \$411,000, respectively, and are reported as unassigned fund balance within the general fund. In fiscal year 2023, the City established the opioid settlement stabilization fund which totaled \$277,000 and is reported as committed fund balance within the general fund, along with the special education stabilization fund of \$550,000.

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

	General	Community Preservation Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal..... \$	- \$	- \$	- \$	1,894,529	\$ 1,894,529
Restricted for:					
Community preservation.....	-	3,034,657	-	-	3,034,657
Capital improvement.....	-	-	13,758,663	-	13,758,663
School grants.....	-	-	-	2,179,516	2,179,516
City grants.....	-	-	-	4,546,741	4,546,741
School lunch.....	-	-	-	1,198,203	1,198,203
Donations and gifts.....	-	-	-	675,595	675,595
Receipts reserved.....	-	-	-	3,327,919	3,327,919
City revolving accounts.....	-	-	-	3,488,077	3,488,077
School revolving accounts.....	-	-	-	514,577	514,577
City wharf project.....	-	-	-	408,818	408,818
Other capital.....	-	-	-	1,416,967	1,416,967
Cemetery.....	-	-	-	3,972,561	3,972,561
Human service.....	-	-	-	1,744,881	1,744,881
Other permanent funds.....	-	-	-	1,499,266	1,499,266
Committed to:					
Special education stabilization fund.....	550,000	-	-	-	550,000
Opioid stabilization fund.....	276,561	-	-	-	276,561
Assigned to:					
City council.....	9,951	-	-	-	9,951
Mayor.....	1,940	-	-	-	1,940
Financing/Auditing.....	285	-	-	-	285
Purchasing.....	15,511	-	-	-	15,511
Solicitor.....	38,904	-	-	-	38,904
Human resources.....	2,024	-	-	-	2,024
Data processing.....	18,829	-	-	-	18,829
Elections and registrations.....	5,475	-	-	-	5,475
Subdivision, planning, and zoning board.....	95	-	-	-	95
Planning department.....	4,105	-	-	-	4,105
Building maintenance.....	15,509	-	-	-	15,509
Market and tourism.....	3,961	-	-	-	3,961
Police.....	78,806	-	-	-	78,806
Fire.....	12,849	-	-	-	12,849
Building, plumbing, gas inspections.....	7,400	-	-	-	7,400
Electrical inspection and maintenance.....	46,628	-	-	-	46,628
Harbormaster.....	563	-	-	-	563
Education.....	1,293,380	-	-	-	1,293,380
Public services.....	171,450	-	-	-	171,450
Snow and ice.....	2,875	-	-	-	2,875
Engineering.....	873	-	-	-	873
Parking garage.....	27,963	-	-	-	27,963
Health and human services.....	9,978	-	-	-	9,978
Parks and recreation.....	40,665	-	-	-	40,665
Golf Course.....	7,341	-	-	-	7,341
Witch house.....	24,310	-	-	-	24,310
Other culture and recreation.....	25,129	-	-	-	25,129
Workmen's compensation.....	36,153	-	-	-	36,153
Unemployment compensation.....	73,762	-	-	-	73,762
Unassigned.....	27,833,746	-	-	(170,190)	27,663,556
Total Fund Balances..... \$	30,637,021	\$ 3,034,657	\$ 13,758,663	\$ 26,697,460	\$ 74,127,801

NOTE 10 – RISK FINANCING

The City 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 City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The City participates in premium-based health care plans for its active employees and retirees through the State's Group Insurance Commission.

Workers' Compensation

Workers' compensation claims incurred prior to July 1, 2008, are administered by the City and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2023, the amount of the liability for workers' compensation claims totaled \$1,431,584.

Changes in the reported liability since July 1, 2021, were as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2022..... \$	1,617,466	\$ 234,545	\$ (179,848)	\$ 1,672,163	\$ 182,124
2023.....	1,672,163	(51,169)	(189,410)	1,431,584	109,206

The City participates in a premium based workers' compensation plan for active employees for claims incurred on or after July 1, 2008. The amount of claim settlements has not exceeded insurance coverage in any of the 3 preceding years.

NOTE 11 – PENSION PLAN*Plan Description*

The City is a member of the City of Salem Contributory Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan covering eligible employees of the member units. The System is administered by the City of Salem Retirement Board on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 20 Central Street, Suite 110, Salem, MA 01970.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://www.macomptroller.org/gasb-68-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$11,130,460, is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is \$135,308,688, as of the measurement date.

Benefits Provided

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

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. There were no changes in benefit terms that effected the measurement of the total pension liability at December 31, 2022.

At January 1, 2022, the System's membership consists of the following:

Active members.....	919
Inactive members.....	346
Retirees and beneficiaries currently receiving benefits....	<u>636</u>
Total.....	<u><u>1,901</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarially determined contribution. The total member units' contribution for the year

ended December 31, 2022, was \$17,191,901, or 30.85% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2023, and totaled \$14,429,326.

Pension Liabilities

The components of the net pension liability of the participating member units at December 31, 2022, were as follows:

Total pension liability.....	\$ 377,204,906
Total pension plan's fiduciary net position.....	<u>(247,051,959)</u>
Total net pension liability.....	<u>\$ 130,152,947</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	65.50%

At June 30, 2023, the City reported a liability of \$109,238,606, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, procedures were used to update the total pension liability to the measurement date.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2022, the City's proportion was 83.93%, which decreased slightly from its 83.97% proportion measured at December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the City recognized a pension expense of \$11,877,497. At June 30, 2023, the City reported deferred outflows of resources related to pensions of \$18,834,959 and reported deferred inflows of resources related to pensions of \$3,401,921. The City paid their annual pension appropriation on July 1, 2022 and the measurement date was December 31, 2022, therefore no contributions after the measurement date were reported by the City.

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

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 305,268	\$ (3,284,796)	\$ (2,979,528)
Difference between projected and actual earnings, net.....	13,702,317	-	13,702,317
Changes in assumptions.....	4,827,374	-	4,827,374
Changes in proportion and proportionate share of contributions....	-	(117,125)	(117,125)
Total deferred outflows/(inflows) of resources.....	<u>\$ 18,834,959</u>	<u>\$ (3,401,921)</u>	<u>\$ 15,433,038</u>

The City's deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024.....	\$	1,398,092
2025.....		1,974,976
2026.....		3,635,513
2027.....		<u>8,424,457</u>
Total deferred outflows/(inflows) of resources...	\$	<u>15,433,038</u>

Actuarial Assumptions

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

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Appropriation increasing 5.55% per year through 2032.
Remaining amortization period.....	As of July 1, 2023, 9 years.
Asset valuation method.....	The difference between the expected return and the actual investment return on a fair value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the fair value.
Investment rate of return / Discount rate...	6.90%, net of plan investment expenses, including inflation.
Wage inflation rate.....	3.00%.
Projected salary increases.....	Varies by length of service with ultimate rates of 3.75% for Group 1, 4.00% for Group 2, and 4.25% for Group 4.
Cost of living adjustments.....	3.00% of first \$15,000 of the annual retirement allowance.
Mortality Rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally using Scale MP-2021.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally using Scale MP-2021.
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021.

Investment Policy

The System's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of December 31, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	20.50%	6.59%
International developed markets equity....	12.00%	6.87%
International emerging markets equity.....	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%
Timber.....	4.00%	4.01%
Hedge fund, GTAA, risk parity.....	10.00%	3.06%
Private equity.....	16.00%	9.49%
Total.....	<u>100.00%</u>	

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on System investments, net of pension plan investment expense, was -11.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% as of December 31, 2022 and December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate.

	1% Decrease (5.90%)	Current Discount (6.90%)	1% Increase (7.90%)
<u>December 31, 2022 Measurement Date</u>			
The City's proportionate share of the net pension liability.....	\$ 144,164,807	\$ 109,238,606	\$ 79,767,713
SCRS total net pension liability.....	\$ 171,765,965	\$ 130,152,947	\$ 95,039,687

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*Plan Description*

The City administers a single-employer defined benefit healthcare plan (“Plan”). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City’s participation in the Group Insurance Commission of the Commonwealth of Massachusetts (GIC), which covers both active and retired members. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. The Retiree Health Plan does not issue a publicly available financial report. Benefit provisions are negotiated between the City and unions representing City employees and are renegotiated each bargaining period. The employer’s share for life insurance is 65% while the retiree is responsible for 35%. Regarding health insurance, these rates are dependent upon the individual’s date of retirement. The rates range from 10% to 35% for the retiree’s co-payment of the total premium, and 65% to 90% for the City.

Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The City contributes 70% of the cost of current-year premiums for retirees in active plans, 65% for those in senior plans and 90% for retired teachers. The City contributes 50% for surviving spouses. Plan members receiving benefits contribute the remainder of their premium costs. For the year ended June 30, 2023, the City’s average contribution rate was 4.95% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. The City has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB fund and as such has authorized the OPEB Trust Funds to be invested by Bartholomew & Company (the custodian). Investment of the fund monies by the custodian must be consistent with the prudent person standard set forth in MGL Chapter 203C for private trust funds. Interest earned on the investment of the fund monies belongs to the fund.

During 2023, the City pre-funded future OPEB liabilities totaling \$814,668 by contributing funds to the OPEB trust fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Fund financial statements. As of June 30, 2023, the net position of the OPEB trust fund totaled \$6.1 million.

Investment Policy

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

Measurement Date

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Employees Covered by Benefit Terms

The following table represents the Plan's membership at June 30, 2022:

Active members.....	889
Retired members of beneficiaries currently receiving benefits...	<u>1,020</u>
Total.....	<u><u>1,909</u></u>

Components of OPEB Liability

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

Total OPEB liability.....	\$ 132,081,265
Less: OPEB plan's fiduciary net position.....	<u>(6,076,932)</u>
Net OPEB liability.....	<u><u>\$ 126,004,333</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability...	4.60%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023:

Valuation date.....	June 30, 2022
Actuarial cost method.....	Entry Age Normal.
Asset valuation method.....	Fair Value.
Wage inflation.....	3.00%
Discount rate.....	3.65% as of June 30, 2023. Previously 3.54%.
Investment rate of return.....	6.75% as of June 30, 2023.
Health care trend rates:	
Non Medicare.....	6.52%, 9.11%, 8.82%, 6.72%, 6.43% then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year.
Medicare.....	2.80%, 6.80%, 6.79%, 4.99%, 4.99% then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year.
Part B.....	4.50%.
Contributions.....	Retiree contributions are expected to increase with respective trend above.
Mortality rates:	
Pre-Retirement Healthy Non-Teachers.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 and set forward one year for females.
Pre-Retirement Healthy Teachers.....	Pub-2010 Teachers Employees Table projected generationally with Scale MP-2021.
Post-Retirement Healthy Non-Teachers...	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021 and set forward one year for females.
Post-Retirement Healthy Teachers.....	Pub-2010 Teachers Healthy Retirees Table projected generationally with Scale MP-2021.
Disabled Non-Teachers.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Teachers.....	Pub-2010 Teachers Healthy Retirees Table projected generationally with Scale MP-2021.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption, as of June 30, 2023, are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	18.00%	6.59%
International developed markets equity..	16.00%	6.97%
International emerging markets equity...	6.00%	8.30%
Core fixed income.....	12.00%	1.53%
High yield fixed income.....	10.00%	3.54%
Real estate.....	10.00%	3.44%
Commodities.....	4.00%	4.01%
Hedge fund, GTAA, risk parity.....	13.00%	3.06%
Private equity.....	11.00%	9.49%
Total.....	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65% as of June 30, 2023 and 3.54% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore a blend of the long-term expected rate of return and a yield rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher was applied to all periods.

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.65%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate.

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB liability..... \$	<u>146,198,927</u>	<u>\$ 126,004,333</u>	<u>\$ 109,660,182</u>

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

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability..... \$	<u>106,771,912</u>	<u>\$ 126,004,333</u>	<u>\$ 150,598,220</u>

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 146,533,788	\$ 4,843,161	\$ 141,690,627
Changes for the year:			
Service cost.....	6,956,941	-	6,956,941
Interest.....	5,354,418	-	5,354,418
Differences between expected and actual experience....	5,219,942	-	5,219,942
Changes in assumptions.....	(27,472,627)	-	(27,472,627)
Contributions - employer.....	-	5,325,865	(5,325,865)
Net investment income.....	-	419,103	(419,103)
Benefit payments.....	(4,511,197)	(4,511,197)	-
Net change.....	(14,452,523)	1,233,771	(15,686,294)
Balances at June 30, 2023.....	<u>\$ 132,081,265</u>	<u>\$ 6,076,932</u>	<u>\$ 126,004,333</u>

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

For the year ended June 30, 2023, the City recognized OPEB expense of (\$3,253,669). At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 4,349,950	\$ (2,407,208)	\$ 1,942,742
Difference between projected and actual earnings, net.....	450,507	-	450,507
Changes in assumptions.....	<u>10,446,274</u>	<u>(60,672,727)</u>	<u>(50,226,453)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 15,246,731</u>	<u>\$ (63,079,935)</u>	<u>\$ (47,833,204)</u>

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

Year ended June 30:

2024.....	\$ (11,826,502)
2025.....	(8,932,861)
2026.....	(14,017,125)
2027.....	(9,347,935)
2028.....	<u>(3,708,781)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ (47,833,204)</u>

Changes of Assumptions:

- The discount rate increased from 3.54% to 3.65% as of June 30, 2023.
- The mortality tables were updated.

Changes in Plan Provisions – None.

NOTE 13 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUND

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

	Pension Trust Fund (as of December 31, 2022)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Fund
ASSETS			
Cash and cash equivalents.....	\$ 444,283	\$ 847,170	\$ 1,291,453
Investments:			
Investments in Pension Reserve Investment Trust.....	240,735,646	-	240,735,646
Equity mutual funds.....	-	3,904,470	3,904,470
Fixed income mutual funds.....	-	1,325,292	1,325,292
Repurchase agreements.....	5,752,723	-	5,752,723
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	63,125	-	63,125
Capital assets, net of accumulated depreciation.....	69,531	-	69,531
TOTAL ASSETS.....	247,065,308	6,076,932	253,142,240
LIABILITIES			
Warrants payable.....	13,349	-	13,349
NET POSITION			
Restricted for pensions.....	247,051,959	-	247,051,959
Restricted for other postemployment benefits.....	-	6,076,932	6,076,932
TOTAL NET POSITION.....	\$ 247,051,959	\$ 6,076,932	\$ 253,128,891

	Pension Trust Fund (as of December 31, 2022)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Fund
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 17,191,901	\$ 814,668	\$ 18,006,569
Employer contributions for other postemployment benefit payments.....	-	4,511,197	4,511,197
Member contributions.....	5,760,697	-	5,760,697
Transfers from other systems.....	496,233	-	496,233
3(8)c contributions from other systems.....	425,748	-	425,748
State COLA reimbursements.....	67,145	-	67,145
Member makeup payments and redeposits.....	32,541	-	32,541
Reimbursement of 91A overearnings.....	4,967	-	4,967
Total contributions.....	23,979,232	5,325,865	29,305,097
Net investment income:			
Investment income (loss).....	(29,827,181)	419,103	(29,408,078)
Less: investment expense.....	(1,253,711)	-	(1,253,711)
Net investment income (loss).....	(31,080,892)	419,103	(30,661,789)
TOTAL ADDITIONS.....	(7,101,660)	5,744,968	(1,356,692)
DEDUCTIONS:			
Administration.....	422,911	-	422,911
Transfers to other systems.....	528,944	-	528,944
3(8)c transfer to other systems.....	780,296	-	780,296
Retirement benefits and refunds.....	21,278,575	-	21,278,575
Depreciation.....	3,125	-	3,125
Other postemployment benefit payments.....	-	4,511,197	4,511,197
TOTAL DEDUCTIONS.....	23,013,851	4,511,197	27,525,048
NET INCREASE (DECREASE) IN NET POSITION.....	(30,115,511)	1,233,771	(28,881,740)
NET POSITION AT BEGINNING OF YEAR.....	277,167,470	4,843,161	282,010,631
NET POSITION AT END OF YEAR.....	\$ 247,051,959	\$ 6,076,932	\$ 253,128,891

NOTE 14 – MAJOR TAXPAYER

Footprint Power LLC is the City's largest taxpayer. During December 2014, the City negotiated, and the City Council approved, an 18-year PILOT agreement with Footprint Power LLC, due to a change in ownership of the plant. The agreement includes annual payments which increase steadily as the company's new gas fired plant becomes up and running, and are due to the City on a quarterly basis. In addition to the negotiated PILOT agreement, the City was able to finalize a community benefits agreement which will provide the City and School District with over \$4.4 million in additional funding, of which \$2.5 million has been received to date.

In early 2018, Footprint began producing electricity in its new plant with a state-of-the-art 630-megawatt gas-fired plant using a portion of the site and has plans to open the remaining two-thirds of the 63-acre waterfront property to private and public development opportunities. Site work was substantially completed in 2020.

NOTE 15 – LANDFILL CLOSURE

State and federal laws and regulations require the City to construct a final capping system on its inactive landfill site, the Salem Transfer Station, when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The City has stopped accepting waste at the site and the site is closed. The City is the owner and permittee of the Salem Transfer Station site. During 2017, the City discontinued its relationship with the long-time operator of the site and has approved a final plan for the City to cap the site and to construct a new transfer station on the site. The City anticipates the site will be capped in the Spring of 2024. As a result, the City has issued bonds for \$644,000 and has authorized and unissued debt for \$1.5 million. The City recorded a liability of \$2.3 million in the entity-wide financial statements for the total estimated closure and post closure costs of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in applicable laws, regulations or agreements.

NOTE 16 – COMMITMENTS

The City has various commitments related to ongoing construction projects which will be financed through long-term borrowing. These projects include \$4.6 million for the signature parks improvement program, \$15.8 million for general government capital projects, \$53.0 million for water and sewer projects, \$4.4 million for Collins School improvements, and \$4.2 million for various other capital projects.

In fiscal year 2017, the City entered into a Community Benefits Agreement with North Shore Medical Center (NSMC) that consists of support for a broad range of City needs and programs. The agreement, which is in addition to the regular annual payment in lieu of taxes that the hospital provides to the City, comes as NSMC is undergoing a significant campus consolidation and expansion project. The agreement is intended to address and mitigate the disruption and impact that the project will have on the City. Under the terms of the agreement, NSMC will provide approximately \$1.7 million over the next four years for various City endeavors. Additionally, NSMC will allow attendees at sporting events at Salem's Bertram Field to utilize NSMC's parking lot at 55 Highland Avenue for event parking on evenings and weekends; NSMC will work collaboratively with the City on the design and implementation of a South Salem Commuter Rail stop; and NSMC will maintain its current support for ongoing community public health programs and activities in the City.

The general fund has various commitments for goods and services related to encumbrances of \$1,976,714.

NOTE 17 – CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of the liability, if any, at June 30, 2023,

cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2023, which is the date the financial statements were available to be issued.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

Management is currently assessing the impact the implementation of these pronouncements will have on the annual comprehensive financial report.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 110,112,050	\$ 110,112,050	\$ 113,471,130	\$ 113,186,742	\$ -	\$ (284,388)
Tax liens.....	-	-	-	-	567,633	-	567,633
Motor vehicle and other excise taxes.....	-	5,045,000	5,045,000	5,045,000	4,611,573	-	(433,427)
Hotel/motel tax.....	-	1,290,000	1,290,000	1,290,000	2,124,418	-	834,418
Meals tax.....	-	1,000,000	1,000,000	1,000,000	1,527,903	-	527,903
Marijuana tax.....	-	978,500	978,500	978,500	886,924	-	(91,576)
Marijuana impact fee.....	-	194,000	194,000	194,000	320,437	-	126,437
Charges for services.....	-	1,500,000	1,500,000	1,500,000	2,247,884	-	747,884
Penalties and interest on taxes.....	-	550,000	550,000	550,000	534,762	-	(15,238)
Payments in lieu of taxes.....	-	785,000	785,000	785,000	1,198,061	-	413,061
Licenses and permits.....	-	1,170,000	1,170,000	1,170,000	535,742	-	(634,258)
Fines and forfeitures.....	-	800,000	800,000	800,000	1,402,740	-	602,740
Intergovernmental - state aid.....	-	36,394,527	36,394,527	36,394,527	35,319,707	-	(1,074,820)
Departmental and other.....	-	3,981,561	3,981,561	3,981,561	4,646,230	-	664,669
Investment income (loss).....	-	90,000	90,000	90,000	1,773,389	-	1,683,389
TOTAL REVENUES.....	-	163,890,638	163,890,638	167,249,718	170,884,145	-	3,634,427
EXPENDITURES:							
Current:							
General Government							
City Council							
Personnel.....	-	170,700	170,700	174,700	170,401	-	4,299
Non - Personnel.....	10,605	61,350	71,955	90,955	79,887	9,951	1,117
Total.....	10,605	232,050	242,655	265,655	250,288	9,951	5,416
Mayor							
Personnel.....	-	447,477	447,477	484,903	483,033	-	1,870
Non - Personnel.....	36,110	196,200	232,310	232,310	214,421	1,940	15,949
Total.....	36,110	643,677	679,787	717,213	697,454	1,940	17,819
Finance/Auditing							
Personnel.....	-	368,762	368,762	364,962	363,169	-	1,793
Non - Personnel.....	47,116	59,215	106,331	110,131	109,586	285	260
Total.....	47,116	427,977	475,093	475,093	472,755	285	2,053
Purchasing							
Personnel.....	-	176,346	176,346	176,346	163,211	-	13,135
Non - Personnel.....	951	25,264	26,215	26,215	18,380	861	6,974
Fixed Costs.....	8,664	39,181	47,845	47,846	29,589	14,650	3,607
Total.....	9,615	240,791	250,406	250,407	211,180	15,511	23,716
Assessors							
Personnel.....	-	351,052	351,052	358,425	358,336	-	89
Non - Personnel.....	31	57,415	57,446	57,446	57,336	-	110
Total.....	31	408,467	408,498	415,871	415,672	-	199
Treasurer							
Personnel.....	-	277,271	277,271	267,271	249,490	-	17,781
Non - Personnel.....	-	173,673	173,673	183,673	165,492	-	18,181
Total.....	-	450,944	450,944	450,944	414,982	-	35,962
Collector							
Personnel.....	-	253,791	253,791	263,964	263,656	-	308
Non - Personnel.....	1,330	8,300	9,630	8,130	4,859	-	3,271
Total.....	1,330	262,091	263,421	272,094	268,515	-	3,579
Solicitor							
Personnel.....	-	467,040	467,040	457,540	401,389	-	56,151
Non - Personnel.....	14,118	79,600	93,718	103,218	54,816	38,904	9,498
Total.....	14,118	546,640	560,758	560,758	456,205	38,904	65,649
Human Resources							
Personnel.....	-	538,894	538,894	835,201	827,505	-	7,696
Non - Personnel.....	436	31,800	32,236	32,237	23,359	2,024	6,854
Total.....	436	570,694	571,130	867,438	850,864	2,024	14,550

(continued)

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts				Actual	Amounts	Variance
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Budgetary Amounts	Carried Forward To Next Year	to Final Budget
Data Processing							
Personnel.....	-	860,507	860,507	860,507	826,962	-	33,545
Non - Personnel.....	218	16,000	16,218	16,218	14,718	100	1,400
Fixed Costs.....	45,736	869,400	915,136	915,135	874,261	18,729	22,145
Total.....	45,954	1,745,907	1,791,861	1,791,860	1,715,941	18,829	57,090
City Clerk Record Maintenance							
Personnel.....	-	333,054	333,054	339,558	339,308	-	250
Non - Personnel.....	2,044	11,450	13,494	13,494	12,917	-	577
Total.....	2,044	344,504	346,548	353,052	352,225	-	827
Elections & Registrations							
Personnel.....	-	208,879	208,879	292,193	283,879	-	8,314
Non - Personnel.....	-	43,800	43,800	70,300	64,555	5,475	270
Total.....	-	252,679	252,679	362,493	348,434	5,475	8,584
Conservation Commission							
Personnel.....	-	29,575	29,575	29,575	27,564	-	2,011
Non - Personnel.....	-	1,413	1,413	1,413	931	-	482
Total.....	-	30,988	30,988	30,988	28,495	-	2,493
Subdivision, Planning, and Zoning Board							
Personnel.....	-	32,996	32,996	32,996	29,940	-	3,056
Non - Personnel.....	-	3,730	3,730	3,730	1,190	95	2,445
Total.....	-	36,726	36,726	36,726	31,130	95	5,501
Board of Appeals							
Non - Personnel.....	-	1,200	1,200	1,200	362	-	838
Sustainability and Resiliency Department							
Personnel.....	-	210,957	210,957	210,957	196,745	-	14,212
Non - Personnel.....	110	16,700	16,810	16,810	12,152	-	4,658
Total.....	110	227,657	227,767	227,767	208,897	-	18,870
Planning Department							
Personnel.....	-	640,286	640,286	640,286	639,918	-	368
Non - Personnel.....	34	82,570	82,604	82,604	71,913	4,105	6,586
Total.....	34	722,856	722,890	722,890	711,831	4,105	6,954
Public Property/Building Maintenance							
Fixed Costs.....	9,702	706,362	716,064	716,064	684,431	15,509	16,124
Market and Tourism.....	14,027	312,050	326,077	326,077	314,521	3,961	7,595
Total General Government.....	191,232	8,164,260	8,355,492	8,844,590	8,434,182	116,589	293,819
Public Safety							
Police							
Personnel.....	-	10,878,625	10,878,625	11,180,381	11,113,047	-	67,334
Non - Personnel.....	95,905	933,720	1,029,625	1,039,522	875,955	78,806	84,761
Total.....	95,905	11,812,345	11,908,250	12,219,903	11,989,002	78,806	152,095
Fire							
Personnel.....	-	9,327,344	9,327,344	9,477,344	9,497,445	-	(20,101)
Non - Personnel.....	21,085	519,243	540,328	540,327	496,582	12,849	30,896
Total.....	21,085	9,846,587	9,867,672	10,017,671	9,994,027	12,849	10,795
Building, Plumbing, Gas Inspections							
Personnel.....	-	755,628	755,628	700,628	668,767	-	31,861
Non - Personnel.....	8,293	48,784	57,077	57,076	26,467	7,400	23,209
Total.....	8,293	804,412	812,705	757,704	695,234	7,400	55,070
Electrical Inspection and Maintenance							
Personnel.....	-	415,670	415,670	415,670	382,837	-	32,833
Non - Personnel.....	4,743	439,397	444,140	444,139	380,175	46,628	17,336
Total.....	4,743	855,067	859,810	859,809	763,012	46,628	50,169
Harbormaster							
Personnel.....	-	368,382	368,382	371,804	342,626	-	29,178
Non - Personnel.....	2,271	46,725	48,996	48,996	46,696	563	1,737
Total.....	2,271	415,107	417,378	420,800	389,322	563	30,915
Total Public Safety.....	132,297	23,733,518	23,865,815	24,275,887	23,830,597	146,246	299,044

(continued)

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Education							
School.....	2,518,824	68,747,972	71,266,796	71,514,278	69,418,824	1,293,380	802,074
Essex North Shore T&A School.....	-	2,599,910	2,599,910	2,599,910	2,599,910	-	-
Total Education.....	2,518,824	71,347,882	73,866,706	74,114,188	72,018,734	1,293,380	802,074
Public Works							
Public Services							
Personnel.....	-	1,958,474	1,958,474	1,958,474	1,926,349	-	32,125
Non - Personnel.....	171,774	1,719,800	1,891,574	1,961,175	1,730,915	171,450	58,810
Total.....	171,774	3,678,274	3,850,048	3,919,649	3,657,264	171,450	90,935
Engineering							
Personnel.....	-	158,461	158,461	161,084	145,212	-	15,872
Non - Personnel.....	15,868	26,000	41,868	41,868	26,379	873	14,616
Total.....	15,868	184,461	200,329	202,952	171,591	873	30,488
Snow and Ice							
Personnel.....	-	50,000	50,000	86,289	86,289	-	-
Non - Personnel.....	-	408,935	408,935	1,648,818	1,637,836	2,875	8,107
Total.....	-	458,935	458,935	1,735,107	1,724,125	2,875	8,107
Parking Garage							
Personnel.....	-	1,099,480	1,099,480	1,099,480	1,054,315	-	45,165
Non - Personnel.....	27,132	463,135	490,267	490,268	450,776	27,963	11,529
Total.....	27,132	1,562,615	1,589,747	1,589,748	1,505,091	27,963	56,694
Total Public Works.....	214,774	5,884,285	6,099,059	7,447,456	7,058,071	203,161	186,224
Health and Human Services							
Board of Health							
Personnel.....	-	595,126	595,126	595,126	572,472	-	22,654
Non - Personnel.....	669	91,639	92,308	92,308	41,324	2,195	48,789
Total.....	669	686,765	687,434	687,434	613,796	2,195	71,443
Council on Aging							
Personnel.....	-	515,562	515,562	515,562	505,172	-	10,390
Non - Personnel.....	5,933	105,500	111,433	111,433	72,015	7,783	31,635
Total.....	5,933	621,062	626,995	626,995	577,187	7,783	42,025
Veterans Services							
Personnel.....	-	135,842	135,842	138,655	137,511	-	1,144
Non - Personnel.....	-	410,800	410,800	410,800	378,303	-	32,497
Total.....	-	546,642	546,642	549,455	515,814	-	33,641
Total Health and Human Services.....	6,602	1,854,469	1,861,071	1,863,884	1,706,797	9,978	147,109
Culture and Recreation							
Library							
Personnel.....	-	1,110,341	1,110,341	1,123,492	1,113,065	-	10,427
Non - Personnel.....	3,691	372,571	376,262	376,261	358,196	11,554	6,511
Total.....	3,691	1,482,912	1,486,603	1,499,753	1,471,261	11,554	16,938
Parks and Recreation							
Personnel.....	-	557,261	557,261	527,261	489,405	-	37,856
Non - Personnel.....	28,061	445,350	473,411	498,411	446,671	40,665	11,075
Total.....	28,061	1,002,611	1,030,672	1,025,672	936,076	40,665	48,931
Golf Course							
Personnel.....	-	378,521	378,521	378,521	351,116	-	27,405
Non - Personnel.....	17,962	239,563	257,525	267,110	251,081	7,341	8,688
Total.....	17,962	618,084	636,046	645,631	602,197	7,341	36,093
Witch House							
Personnel.....	-	181,322	181,322	181,322	150,615	-	30,707
Non - Personnel.....	29,431	95,680	125,111	125,111	98,497	24,310	2,304
Total.....	29,431	277,002	306,433	306,433	249,112	24,310	33,011

(continued)

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Historical Commission							
Personnel.....	-	32,724	32,724	32,724	32,641	-	83
Non - Personnel.....	-	1,020	1,020	1,020	452	-	568
Total.....	-	33,744	33,744	33,744	33,093	-	651
Winter Island							
Personnel.....	-	212,433	212,433	212,433	194,116	-	18,317
Non - Personnel.....	4,782	83,850	88,632	88,632	67,747	8,064	12,821
Total.....	4,782	296,283	301,065	301,065	261,863	8,064	31,138
Pioneer Village							
Non - Personnel.....	3,884	26,900	30,784	30,785	24,003	5,511	1,271
Total Culture and Recreation.....	87,811	3,737,536	3,825,347	3,843,083	3,577,605	97,445	168,033
Debt Service:							
Principal.....	-	4,949,177	4,949,177	4,949,177	4,884,177	-	65,000
Interest.....	-	2,795,380	2,795,380	2,795,380	2,761,961	-	33,419
Short Term Interest.....	-	182,601	182,601	182,601	200,882	-	(18,281)
Lease Payments.....	-	374,501	374,501	374,501	374,501	-	-
Total.....	-	8,301,659	8,301,659	8,301,659	8,221,521	-	80,138
State and County Charges.....	-	9,788,846	9,788,846	9,788,846	10,092,708	-	(303,862)
Pension benefits							
Contributory Retirement.....	-	14,429,326	14,429,326	14,200,326	14,195,757	-	4,569
Non-Contributory Retirement.....	-	10,625	10,625	10,625	9,530	-	1,095
Total.....	-	14,439,951	14,439,951	14,210,951	14,205,287	-	5,664
Workmen's Compensation.....	525	539,730	540,255	582,255	520,372	36,153	25,730
Unemployment Compensation.....	6,212	250,000	256,212	177,212	99,864	73,762	3,586
Group Insurance.....	-	16,482,273	16,482,273	16,150,769	16,068,285	-	82,484
Medicare.....	-	1,304,315	1,304,315	1,414,315	1,404,554	-	9,761
Municipal Insurance.....	-	373,500	373,500	423,500	419,049	-	4,451
TOTAL EXPENDITURES.....	3,158,277	166,202,224	169,360,501	171,438,595	167,657,626	1,976,714	1,804,255
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,158,277)	(2,311,586)	(5,469,863)	(4,188,877)	3,226,519	(1,976,714)	5,438,682
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	3,176,181	3,176,181	3,379,744	3,385,759	-	6,015
Transfers out.....	-	(731,622)	(731,622)	(12,719,575)	(12,719,575)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	2,444,559	2,444,559	(9,339,831)	(9,333,816)	-	6,015
NET CHANGE IN FUND BALANCE.....	(3,158,277)	132,973	(3,025,304)	(13,528,708)	(6,107,297)	(1,976,714)	5,444,697
BUDGETARY FUND BALANCE, Beginning of year.....	-	22,278,330	22,278,330	22,278,330	22,278,330	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (3,158,277)	\$ 22,411,303	\$ 19,253,026	\$ 8,749,622	\$ 16,171,033	\$ (1,976,714)	\$ 5,444,697

(concluded)

See notes to required supplementary information.

Pension Plan Schedules – Retirement System

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Total pension liability:				
Service cost.....	\$ 5,854,030	\$ 6,097,323	\$ 6,350,728	\$ 6,879,418
Interest.....	18,557,934	19,386,667	20,274,843	21,023,506
Changes in benefit terms.....	-	-	-	-
Differences between expected and actual experience.....	-	-	(5,574,549)	(1,058,253)
Changes in assumptions.....	-	-	12,360,928	5,467,970
Benefit payments.....	(14,146,676)	(13,777,134)	(14,776,958)	(15,699,301)
Net change in total pension liability.....	10,265,288	11,706,856	18,634,992	16,613,340
Total pension liability - beginning.....	240,676,498	250,941,786	262,648,642	281,283,634
Total pension liability - ending (a).....	<u>\$ 250,941,786</u>	<u>\$ 262,648,642</u>	<u>\$ 281,283,634</u>	<u>\$ 297,896,974</u>
Plan fiduciary net position:				
Employer contributions.....	\$ 11,942,341	\$ 12,181,169	\$ 12,527,730	\$ 13,172,909
Member contributions.....	3,939,454	4,121,728	4,311,175	4,488,581
Net investment income (loss).....	9,022,647	659,962	10,046,275	25,387,723
Administrative expenses.....	(242,294)	(238,374)	(266,216)	(273,699)
Retirement benefits and refunds.....	(14,146,676)	(13,777,134)	(14,776,958)	(15,699,301)
Net increase (decrease) in fiduciary net position.....	10,515,472	2,947,351	11,842,006	27,076,213
Fiduciary net position - beginning of year.....	123,879,403	135,650,902	138,598,253	150,440,259
Adjustment to include members transferred from Essex Agricultural and Technical School (c).....	1,256,027	-	-	-
Fiduciary net position - end of year (b).....	<u>\$ 135,650,902</u>	<u>\$ 138,598,253</u>	<u>\$ 150,440,259</u>	<u>\$ 177,516,472</u>
Net pension liability - ending (a)-(b).....	<u>\$ 115,290,884</u>	<u>\$ 124,050,389</u>	<u>\$ 130,843,375</u>	<u>\$ 120,380,502</u>
Plan fiduciary net position as a percentage of the total pension liability.....	54.06%	52.77%	53.48%	59.59%
Covered payroll.....	\$ 40,399,678	\$ 42,015,665	\$ 45,841,256	\$ 46,608,505
Net pension liability as a percentage of covered payroll.....	285.38%	295.25%	285.43%	258.28%

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

(c) Essex North Shore Agricultural and Technical School merged with Northshore Regional Vocational Technical School in 2014. As a result of this merger, 39 active and inactive members of Essex North Shore Agricultural and Technical School were transferred from Essex Regional Retirement System to Salem Contributory Retirement System and the annuity savings fund balances of those members, totaling \$1,256,027, were also transferred. The 2014 total pension liability and fiduciary net position have been amended to include the liabilities and assets of these members that were transferred subsequent to year end.

See notes to required supplementary information.

December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
\$ 7,179,699	\$ 7,450,413	\$ 7,639,598	\$ 7,887,870	\$ 8,502,223
21,882,675	22,806,632	23,849,121	24,727,136	25,044,080
-	-	-	5,031,297	-
-	1,818,559	-	(6,522,814)	-
-	9,780,518	-	6,325,829	-
<u>(16,724,907)</u>	<u>(16,876,507)</u>	<u>(18,591,225)</u>	<u>(20,303,576)</u>	<u>(21,598,689)</u>
12,337,467	24,979,615	12,897,494	17,145,742	11,947,614
<u>297,896,974</u>	<u>310,234,441</u>	<u>335,214,056</u>	<u>348,111,550</u>	<u>365,257,292</u>
<u>\$ 310,234,441</u>	<u>\$ 335,214,056</u>	<u>\$ 348,111,550</u>	<u>\$ 365,257,292</u>	<u>\$ 377,204,906</u>
\$ 13,851,313	\$ 14,620,061	\$ 15,431,474	\$ 16,287,922	\$ 17,191,901
4,640,867	4,980,577	5,178,200	5,381,973	5,798,205
(4,217,149)	27,850,445	24,592,019	44,812,905	(31,080,892)
(321,267)	(301,765)	(303,360)	(337,002)	(426,036)
<u>(16,724,907)</u>	<u>(16,876,507)</u>	<u>(18,591,225)</u>	<u>(20,303,576)</u>	<u>(21,598,689)</u>
(2,771,143)	30,272,811	26,307,108	45,842,222	(30,115,511)
<u>177,516,472</u>	<u>174,745,329</u>	<u>205,018,140</u>	<u>231,325,248</u>	<u>277,167,470</u>
-	-	-	-	-
<u>\$ 174,745,329</u>	<u>\$ 205,018,140</u>	<u>\$ 231,325,248</u>	<u>\$ 277,167,470</u>	<u>\$ 247,051,959</u>
<u>\$ 135,489,112</u>	<u>\$ 130,195,916</u>	<u>\$ 116,786,302</u>	<u>\$ 88,089,822</u>	<u>\$ 130,152,947</u>
56.33%	61.16%	66.45%	75.88%	65.50%
\$ 48,663,234	\$ 50,117,547	\$ 52,188,241	\$ 53,564,840	\$ 55,735,457
278.42%	259.78%	223.78%	164.45%	233.52%

SCHEDULE OF CONTRIBUTIONS
SALEM CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2022.....	\$ 17,191,901	\$ (17,191,901)	\$ -	\$ 55,735,457	30.85%
December 31, 2021.....	16,287,922	(16,287,922)	-	53,564,840	30.41%
December 31, 2020.....	15,431,474	(15,431,474)	-	52,188,241	29.57%
December 31, 2019.....	14,620,061	(14,620,061)	-	50,117,547	29.17%
December 31, 2018.....	13,851,313	(13,851,313)	-	48,663,234	28.46%
December 31, 2017.....	13,172,909	(13,172,909)	-	46,608,505	28.26%
December 31, 2016.....	12,527,730	(12,527,730)	-	45,841,256	27.33%
December 31, 2015.....	12,013,685	(12,181,169)	(167,484)	42,015,665	28.99%
December 31, 2014.....	11,942,341	(11,942,341)	-	40,399,678	29.56%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
SALEM CONTRIBUTORY RETIREMENT SYSTEM

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2022.....	-11.50%
December 31, 2021.....	19.86%
December 31, 2020.....	12.25%
December 31, 2019.....	16.21%
December 31, 2018.....	-2.46%
December 31, 2017.....	17.23%
December 31, 2016.....	7.41%
December 31, 2015.....	0.51%
December 31, 2014.....	7.58%

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

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SALEM CONTRIBUTORY RETIREMENT SYSTEM**

<u>Year</u>	<u>Proportion of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2022.....	83.93%	\$ 109,238,606	\$ 42,297,860	258.26%	65.50%
December 31, 2021.....	83.97%	73,968,131	40,628,492	182.06%	75.88%
December 31, 2020.....	84.04%	98,141,413	41,040,710	239.13%	66.45%
December 31, 2019.....	84.05%	109,428,044	39,401,443	277.73%	61.16%
December 31, 2018.....	84.16%	114,027,529	37,576,589	303.45%	56.33%
December 31, 2017.....	84.17%	101,324,784	35,989,977	281.54%	59.59%
December 31, 2016.....	84.73%	110,864,597	35,015,154	316.62%	53.48%
December 31, 2015.....	84.67%	105,037,687	33,907,437	309.78%	52.77%
December 31, 2014.....	84.01%	96,851,803	32,603,305	297.06%	54.06%

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

See notes to required supplementary information.

SCHEDULE OF THE CITY'S CONTRIBUTIONS
SALEM CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2023.....	\$ 14,429,326	\$ (14,429,326)	\$ -	\$ 42,720,839	33.78%
June 30, 2022.....	13,676,803	(13,676,803)	-	41,034,777	33.33%
June 30, 2021.....	12,967,845	(12,967,845)	-	41,451,117	31.28%
June 30, 2020.....	12,287,979	(12,287,979)	-	39,795,457	30.88%
June 30, 2019.....	11,657,254	(11,657,254)	-	37,952,355	30.72%
June 30, 2018.....	11,087,694	(11,087,694)	-	36,349,877	30.50%
June 30, 2017.....	10,513,908	(10,513,908)	-	35,365,306	29.73%
June 30, 2016.....	10,071,175	(10,238,659)	(167,484)	34,246,511	29.90%
June 30, 2015.....	10,121,621	(10,121,621)	-	32,929,338	30.74%

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

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

See notes to required supplementary information.

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

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

Year		Commonwealth's 100% Share of the Associated Net Pension Liability		Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$	135,308,688	\$	11,130,460	57.75%
2022.....		121,473,291		9,747,726	62.03%
2021.....		155,458,332		19,201,331	50.67%
2020.....		139,309,152		16,893,653	53.95%
2019.....		135,976,121		13,779,211	54.84%
2018.....		135,097,228		14,100,491	54.25%
2017.....		129,844,131		13,244,953	52.73%
2016.....		125,868,567		10,209,061	61.43%
2015.....		97,197,542		6,752,780	61.64%

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

See notes to required supplementary information.

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Other Postemployment Benefit Plan Schedules

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 8,252,716	\$ 6,389,170	\$ 6,114,584
Interest.....	5,052,006	5,871,915	6,352,168
Differences between expected and actual experience.....	-	-	(2,918,659)
Changes of assumptions.....	(20,326,073)	(7,215,647)	(14,610,788)
Benefit payments.....	(4,267,124)	(4,459,144)	(4,805,860)
Net change in total OPEB liability.....	(11,288,475)	586,294	(9,868,555)
Total OPEB liability - beginning.....	171,129,227	159,840,752	160,427,046
Total OPEB liability - ending (a).....	<u>\$ 159,840,752</u>	<u>\$ 160,427,046</u>	<u>\$ 150,558,491</u>
Plan fiduciary net position			
Employer contributions.....	\$ 269,044	\$ 246,147	\$ 297,475
Employer contributions for OPEB payments.....	4,267,124	4,459,144	4,805,860
Net investment income (loss).....	170,768	137,225	172,705
Benefit payments.....	(4,267,124)	(4,459,144)	(4,805,860)
Net change in plan fiduciary net position.....	439,812	383,372	470,180
Plan fiduciary net position - beginning of year.....	1,749,487	2,189,299	2,572,671
Plan fiduciary net position - end of year (b).....	<u>\$ 2,189,299</u>	<u>\$ 2,572,671</u>	<u>\$ 3,042,851</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 157,651,453</u>	<u>\$ 157,854,375</u>	<u>\$ 147,515,640</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.37%	1.60%	2.02%
Covered-employee payroll.....	\$ 82,395,000	\$ 86,683,000	\$ 87,301,000
Net OPEB liability as a percentage of covered-employee payroll.....	191.34%	182.11%	168.97%

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

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

See notes to required supplementary information.

June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
\$ 7,395,331	\$ 10,692,286	\$ 9,604,881	\$ 6,956,941
5,451,481	4,393,031	3,860,618	5,354,418
-	(3,841,527)	-	5,219,942
31,338,819	(25,677,761)	(33,757,290)	(27,472,627)
<u>(4,432,568)</u>	<u>(4,472,713)</u>	<u>(4,579,291)</u>	<u>(4,511,197)</u>
39,753,063	(18,906,684)	(24,871,082)	(14,452,523)
<u>150,558,491</u>	<u>190,311,554</u>	<u>171,404,870</u>	<u>146,533,788</u>
<u>\$ 190,311,554</u>	<u>\$ 171,404,870</u>	<u>\$ 146,533,788</u>	<u>\$ 132,081,265</u>
\$ 381,937	\$ 447,566	\$ 822,228	\$ 814,668
4,432,568	4,472,713	4,579,291	4,511,197
86,700	955,836	(893,957)	419,103
<u>(4,432,568)</u>	<u>(4,472,713)</u>	<u>(4,579,291)</u>	<u>(4,511,197)</u>
468,637	1,403,402	(71,729)	1,233,771
<u>3,042,851</u>	<u>3,511,488</u>	<u>4,914,890</u>	<u>4,843,161</u>
<u>\$ 3,511,488</u>	<u>\$ 4,914,890</u>	<u>\$ 4,843,161</u>	<u>\$ 6,076,932</u>
<u>\$ 186,800,066</u>	<u>\$ 166,489,980</u>	<u>\$ 141,690,627</u>	<u>\$ 126,004,333</u>
1.85%	2.87%	3.31%	4.60%
\$ 91,888,000	\$ 94,803,000	\$ 101,074,000	\$ 107,611,000
203.29%	175.62%	140.19%	117.09%

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

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2023.....	\$ 8,311,993	\$ (5,325,865)	\$ 2,986,128	\$ 107,611,000	4.95%
June 30, 2022.....	8,522,474	(5,401,519)	3,120,955	101,074,000	5.34%
June 30, 2021.....	8,274,247	(4,920,279)	3,353,968	94,803,000	5.19%
June 30, 2020.....	8,689,017	(4,814,502)	3,874,515	91,888,000	5.24%
June 30, 2019.....	8,190,988	(5,103,335)	3,087,653	87,301,000	5.85%
June 30, 2018.....	8,076,359	(4,705,291)	3,371,068	86,683,000	5.43%
June 30, 2017.....	7,625,880	(4,536,167)	3,089,713	82,395,000	5.51%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	8.65%
June 30, 2022.....	-18.19%
June 30, 2021.....	27.22%
June 30, 2020.....	2.74%
June 30, 2019.....	6.29%
June 30, 2018.....	5.89%
June 30, 2017.....	9.08%

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

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYBudgetary Information

Within 170 days after the annual organization of the City government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the Mayor, the Council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in the case of the failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the Council. The Council may not increase any item without the recommendation of the Mayor (except as provided by legislation, recommendation of the school committee or regional district school committee and by two-thirds vote of the Council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the Council fails to act on any item of the proposed budget within 45 days, that item takes effect.

City department heads are generally required to submit their budget requests to the Mayor between January 1, March 1, and December 1. This does not apply to the school department, which must submit its request in time for the Mayor to include it in the submission to the Council.

If the Mayor does not make a timely budget submission, provision is made for preparation of a budget by the Council. Provision is also made for supplementary appropriations upon recommendation of the Mayor. Water and Sewer department expenditures are included in the budgets adopted by City Council.

The City Council on the recommendation of the Mayor may transfer during May and June, and the first fifteen days of July, any amount appropriated for the use of any department to the appropriation for any other department, provided that no such transfer may be made from any appropriation for a school department, regional school district, or municipal light department.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2023 approved budget authorized approximately \$170.1 million in appropriations, other amounts to be raised and amounts encumbered from the prior year. During the year, increases to the original budget were approved totaling approximately \$14.1 million. The most notable components of this increase include available funds (free cash) appropriated to fund stabilization reserves, capital improvements, other postemployment benefits trust and various additional departmental appropriations.

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

Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$ (6,107,297)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,069,662
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(377,600)
Net change in recording 60 day receipts.....	(33,386)
Recognition of revenue for on-behalf payments.....	11,130,460
Recognition of expenditures for on-behalf payments.....	<u>(11,130,460)</u>
Net change in fund balance - GAAP basis.....	\$ <u><u>(4,448,621)</u></u>

Appropriation Deficits

During 2023, expenditures exceeded budgeted appropriations for fire department personnel, short-term interest, and state and county charges. The over expenditures for state and county charges are allowable under Massachusetts General Law.

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

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

Schedule of Contributions

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

Schedule of Investment Returns

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

Pension Plan Schedules - CitySchedule of the City's Proportionate Share of the Net Pension Liability

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

Schedule of the City's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit PlanSchedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios

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

Schedule of the City's Contributions

The Schedule of the City's Contributions includes the City's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates were as follows:

Valuation date.....	June 30, 2022
Actuarial cost method.....	Entry Age Normal.
Asset valuation method.....	Fair Value.
Wage inflation.....	3.00%
Discount rate.....	3.65% as of June 30, 2023. Previously 3.54%.
Investment rate of return.....	6.75% as of June 30, 2023.
Health care trend rates:	
Non Medicare.....	6.52%, 9.11%, 8.82%, 6.72%, 6.43% then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year.
Medicare.....	2.80%, 6.80%, 6.79%, 4.99%, 4.99% then 5.75% decreasing by 0.25% each year to an ultimate level of 4.50% per year.
Part B.....	4.50%.
Contributions.....	Retiree contributions are expected to increase with respective trend above.

Mortality rates:

Pre-Retirement Healthy Non-Teachers.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 and set forward one year for females.
Pre-Retirement Healthy Teachers.....	Pub-2010 Teachers Employees Table projected generationally with Scale MP-2021.
Post-Retirement Healthy Non-Teachers...	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021 and set forward one year for females.
Post-Retirement Healthy Teachers.....	Pub-2010 Teachers Healthy Retirees Table projected generationally with Scale MP-2021.
Disabled Non-Teachers.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Teachers.....	Pub-2010 Teachers Healthy Retirees Table projected generationally with Scale MP-2021.

Schedule of Investment Returns

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

Changes of Assumptions:

- The discount rate increased from 3.54% to 3.65% as of June 30, 2023.
- The mortality tables were updated.

Changes in Plan Provisions:

- None.

Combining Statements

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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

School Grants Fund – This fund is used to account for the educational programs specifically financed by federal, state, and other grants which are designated for specific programs.

City Grants Fund – This fund is used to account for non-school related activity specifically financed by federal, state, and other grants which are designated to specific programs.

Community Development Grants Fund – This fund is used to account for community development activity specifically financed by federal, state, and other grants which are designated for specific programs.

School Lunch Fund – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

Highway Grants Fund – This fund is used to account for construction, reconstruction and improvements to roadways, streets and sidewalks. Funding is provided primarily by grants.

Donations and Gifts Fund – This fund is used to account for gifts which have been accepted by the City to be used for the purpose specified by the donor.

Receipts Reserved Fund – This fund is used to account for receipts reserved for appropriation.

City Revolving Accounts Fund – This fund is used to account for non-school related revolving funds specifically allowed by the laws of the Commonwealth. These funds are expended for purposes specified by the enabling statute.

School Revolving Accounts Fund – This fund is used to account for school related revolving funds specifically allowed by the laws of the Commonwealth. These funds are expended for purposes specified by the enabling statutes.

City Wharf Project Fund – This fund is used to account for the fourth phase of the wharf project which includes improvements to the harbor walk, docks, walkways, and pier construction.

Other Special Revenue Fund – This fund is used to account for activity related to the City's police and fire details, employee withholdings as well as deposits held in escrow.

Capital Project Funds

Other Capital Projects Fund – This fund is used to account for various capital projects not reported as major funds.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Cemetery Fund – This fund is used to account for cemetery perpetual care contributions and expenditures.

Human Service Fund – This fund is used to account for various contributions associated with human service activities.

Other Permanent Fund – This fund is used to account for various contributions associated with governmental programs.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2023

	Special Revenue Funds					
	School Grants	City Grants	Community Development Grants	School Lunch	Highway Grants	Donations and Gifts
ASSETS						
Cash and cash equivalents.....	\$ 2,326,287	\$ 4,758,843	\$ -	\$ 1,225,401	\$ -	\$ 693,248
Investments.....	-	-	-	-	-	-
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	-	-	-	-
Intergovernmental - other.....	-	277,376	40,424	-	1,301,163	-
Loans.....	-	-	123,732	-	-	-
TOTAL ASSETS.....	\$ 2,326,287	\$ 5,036,219	\$ 164,156	\$ 1,225,401	\$ 1,301,163	\$ 693,248
LIABILITIES						
Warrants payable.....	\$ 114,993	\$ 430,819	\$ -	\$ 5,750	\$ -	\$ 16,988
Accrued payroll.....	31,778	58,659	4,193	21,448	-	665
Due to other funds.....	-	-	36,231	-	1,245,919	-
Other liabilities.....	-	-	-	-	-	-
TOTAL LIABILITIES.....	146,771	489,478	40,424	27,198	1,245,919	17,653
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	-	-	123,732	-	55,244	-
FUND BALANCES						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	2,179,516	4,546,741	-	1,198,203	-	675,595
Unassigned.....	-	-	-	-	-	-
TOTAL FUND BALANCES.....	2,179,516	4,546,741	-	1,198,203	-	675,595
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 2,326,287	\$ 5,036,219	\$ 164,156	\$ 1,225,401	\$ 1,301,163	\$ 693,248

(continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2023

	Special Revenue Funds					
	Receipts Reserved	City Revolving Accounts	School Revolving Accounts	City Wharf Project	Other Special Revenue	Subtotal
ASSETS						
Cash and cash equivalents.....	\$ 3,328,419	\$ 3,496,012	\$ 532,845	\$ 408,818	\$ 1,282,205	\$ 18,052,078
Investments.....	-	-	-	-	-	-
Receivables, net of uncollectibles:						
Departmental and other.....	14,279	-	-	-	1,415,373	1,429,652
Intergovernmental - other.....	-	-	-	-	-	1,618,963
Loans.....	-	-	-	-	-	123,732
TOTAL ASSETS.....	\$ 3,342,698	\$ 3,496,012	\$ 532,845	\$ 408,818	\$ 2,697,578	\$ 21,224,425
LIABILITIES						
Warrants payable.....	\$ 500	\$ 7,935	\$ 17,263	\$ -	\$ 494,122	\$ 1,088,370
Accrued payroll.....	-	-	1,005	-	-	117,748
Due to other funds.....	-	-	-	-	-	1,282,150
Other liabilities.....	-	-	-	-	958,273	958,273
TOTAL LIABILITIES.....	500	7,935	18,268	-	1,452,395	3,446,541
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	14,279	-	-	-	1,415,373	1,608,628
FUND BALANCES						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	3,327,919	3,488,077	514,577	408,818	-	16,339,446
Unassigned.....	-	-	-	-	(170,190)	(170,190)
TOTAL FUND BALANCES.....	3,327,919	3,488,077	514,577	408,818	(170,190)	16,169,256
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 3,342,698	\$ 3,496,012	\$ 532,845	\$ 408,818	\$ 2,697,578	\$ 21,224,425

Capital Project Funds		Permanent Funds				Total Nonmajor Governmental Funds
Other Capital Projects	Cemetery	Human Service	Other	Subtotal		
\$ 1,416,967	\$ 415,342	\$ 8,809	\$ 274,190	\$ 698,341	\$ 20,167,386	
-	4,732,667	1,957,246	1,723,159	8,413,072	8,413,072	
-	-	-	-	-	1,429,652	
-	-	-	-	-	1,618,963	
-	-	-	-	-	123,732	
<u>\$ 1,416,967</u>	<u>\$ 5,148,009</u>	<u>\$ 1,966,055</u>	<u>\$ 1,997,349</u>	<u>\$ 9,111,413</u>	<u>\$ 31,752,805</u>	
\$ -	\$ 176	\$ -	\$ -	\$ 176	\$ 1,088,546	
-	-	-	-	-	117,748	
-	-	-	-	-	1,282,150	
-	-	-	-	-	958,273	
-	176	-	-	176	3,446,717	
-	-	-	-	-	1,608,628	
-	1,175,272	221,174	498,083	1,894,529	1,894,529	
1,416,967	3,972,561	1,744,881	1,499,266	7,216,708	24,973,121	
-	-	-	-	-	(170,190)	
<u>1,416,967</u>	<u>5,147,833</u>	<u>1,966,055</u>	<u>1,997,349</u>	<u>9,111,237</u>	<u>26,697,460</u>	
<u>\$ 1,416,967</u>	<u>\$ 5,148,009</u>	<u>\$ 1,966,055</u>	<u>\$ 1,997,349</u>	<u>\$ 9,111,413</u>	<u>\$ 31,752,805</u>	

(concluded)

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

YEAR ENDED JUNE 30, 2023

	Special Revenue Funds					
	School Grants	City Grants	Community Development Grants	School Lunch	Highway Grants	Donations and Gifts
REVENUES:						
Charges for services.....	\$ -	\$ 52,500	\$ -	\$ -	\$ -	\$ -
Penalties and interest on taxes.....	-	-	-	-	-	-
Intergovernmental - other.....	13,050,770	10,668,729	960,576	2,608,804	1,185,990	-
Departmental and other.....	1,919,730	1,327,714	151,994	5,000	-	44,723
Contributions and donations.....	389	14,500	-	-	-	187,691
Investment income (loss).....	-	289	36	-	-	408
TOTAL REVENUES.....	14,970,889	12,063,732	1,112,606	2,613,804	1,185,990	232,822
EXPENDITURES:						
Current:						
General government.....	-	1,341,561	-	-	-	46,648
Public safety.....	-	1,694,857	-	-	-	46,649
Education.....	16,279,506	-	-	2,656,039	-	69,580
Public works.....	-	1,323,587	-	-	1,185,990	166,206
Community development.....	-	-	1,112,606	-	-	-
Health and human services.....	-	7,013,142	-	-	-	26,789
Culture and recreation.....	-	727,422	-	-	-	13,587
TOTAL EXPENDITURES.....	16,279,506	12,100,569	1,112,606	2,656,039	1,185,990	369,459
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,308,617)	(36,837)	-	(42,235)	-	(136,637)
OTHER FINANCING SOURCES (USES):						
Issuance of long-term debt.....	-	-	-	-	-	-
Premium from issuance of debt.....	-	-	-	-	-	-
Transfers in.....	-	231,500	-	-	-	50,000
Transfers out.....	-	(35,392)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	196,108	-	-	-	50,000
NET CHANGE IN FUND BALANCES.....	(1,308,617)	159,271	-	(42,235)	-	(86,637)
FUND BALANCES AT BEGINNING OF YEAR.....	3,488,133	4,387,470	-	1,240,438	-	762,232
FUND BALANCES AT END OF YEAR.....	\$ 2,179,516	\$ 4,546,741	\$ -	\$ 1,198,203	\$ -	\$ 675,595

Special Revenue Funds						Capital Project Funds
Receipts Reserved	City Revolving Accounts	School Revolving Accounts	City Wharf Project	Other Special Revenue	Subtotal	Other Capital Projects
\$ 978,917	\$ -	\$ -	\$ -	\$ -	\$ 1,031,417	\$ -
2,790	-	-	-	-	2,790	-
-	474,068	-	-	-	28,948,937	277,698
1,260,377	1,386,606	480,987	-	2,147,935	8,725,066	-
-	2,763	-	-	-	205,343	50
-	2,537	2,894	-	-	6,164	-
<u>2,242,084</u>	<u>1,865,974</u>	<u>483,881</u>	<u>-</u>	<u>2,147,935</u>	<u>38,919,717</u>	<u>277,748</u>
103,280	463,791	-	110,863	-	2,066,143	-
21,759	16,515	-	-	1,897,935	3,677,715	182,245
-	283,349	472,914	-	-	19,761,388	332,805
-	-	-	-	-	2,675,783	1,426,854
-	7,769	-	-	-	1,120,375	-
-	105,573	-	-	-	7,145,504	-
-	463,876	-	-	-	1,204,885	-
<u>125,039</u>	<u>1,340,873</u>	<u>472,914</u>	<u>110,863</u>	<u>1,897,935</u>	<u>37,651,793</u>	<u>1,941,904</u>
<u>2,117,045</u>	<u>525,101</u>	<u>10,967</u>	<u>(110,863)</u>	<u>250,000</u>	<u>1,267,924</u>	<u>(1,664,156)</u>
-	-	-	-	-	-	2,889,604
65,660	-	-	-	-	65,660	3,044
41,773	29,375	-	-	-	352,648	-
(1,786,321)	-	-	-	-	(1,821,713)	-
<u>(1,678,888)</u>	<u>29,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,403,405)</u>	<u>2,892,648</u>
438,157	554,476	10,967	(110,863)	250,000	(135,481)	1,228,492
<u>2,889,762</u>	<u>2,933,601</u>	<u>503,610</u>	<u>519,681</u>	<u>(420,190)</u>	<u>16,304,737</u>	<u>188,475</u>
\$ <u>3,327,919</u>	\$ <u>3,488,077</u>	\$ <u>514,577</u>	\$ <u>408,818</u>	\$ <u>(170,190)</u>	\$ <u>16,169,256</u>	\$ <u>1,416,967</u>

(continued)

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

YEAR ENDED JUNE 30, 2023

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Human Service	Other	Subtotal	
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 1,031,417
Penalties and interest on taxes.....	-	-	-	-	2,790
Intergovernmental - other.....	-	-	-	-	29,226,635
Departmental and other.....	-	-	7,353	7,353	8,732,419
Contributions and donations.....	27,000	-	8,724	35,724	241,117
Investment income (loss).....	528,558	211,530	196,053	936,141	942,305
TOTAL REVENUES.....	555,558	211,530	212,130	979,218	40,176,683
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	2,066,143
Public safety.....	-	-	48,085	48,085	3,908,045
Education.....	-	-	2,308	2,308	20,096,501
Public works.....	60,754	-	-	60,754	4,163,391
Community development.....	-	-	-	-	1,120,375
Health and human services.....	-	84,461	3,131	87,592	7,233,096
Culture and recreation.....	-	-	-	-	1,204,885
TOTAL EXPENDITURES.....	60,754	84,461	53,524	198,739	39,792,436
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	494,804	127,069	158,606	780,479	384,247
OTHER FINANCING SOURCES (USES):					
Issuance of long-term debt.....	-	-	-	-	2,889,604
Premium from issuance of debt.....	-	-	-	-	68,704
Transfers in.....	-	-	-	-	352,648
Transfers out.....	-	-	-	-	(1,821,713)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	-	1,489,243
NET CHANGE IN FUND BALANCES.....	494,804	127,069	158,606	780,479	1,873,490
FUND BALANCES AT BEGINNING OF YEAR.....	4,653,029	1,838,986	1,838,743	8,330,758	24,823,970
FUND BALANCES AT END OF YEAR.....	\$ 5,147,833	\$ 1,966,055	\$ 1,997,349	\$ 9,111,237	\$ 26,697,460

(concluded)

Private Purpose Trust Funds

Trust Fund Commissioners – This fund is used to account for trusts held by the City to benefit individuals and is administered by the City's Board of Trust Fund Commissioners.

Scholarship Fund – This fund is used to account for scholarships held by the City to benefit individuals.

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2023

	Trust Fund Commissioners	Scholarship Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and cash equivalents..... \$	45,007	\$ 527,571	\$ 572,578
Investments:			
Equity securities.....	1,109,872	-	1,109,872
Fixed income mutual funds.....	613,287	-	613,287
TOTAL ASSETS.....	1,768,166	527,571	2,295,737
NET POSITION			
Held in trust for other purposes..... \$	1,768,166	\$ 527,571	\$ 2,295,737

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Trust Fund Commissioners	Scholarship Fund	Total Private Purpose Trust Funds
<u>ADDITIONS:</u>			
Contributions:			
Private donations.....	\$ -	\$ 136,506	\$ 136,506
Net investment income (loss):			
Investment income (loss).....	186,114	439	186,553
TOTAL ADDITIONS.....	186,114	136,945	323,059
<u>DEDUCTIONS:</u>			
Health and human services.....	31,844	-	31,844
Educational scholarships.....	20,848	20,190	41,038
TOTAL DEDUCTIONS.....	52,692	20,190	72,882
NET INCREASE IN NET POSITION.....	133,422	116,755	250,177
NET POSITION AT BEGINNING OF YEAR.....	1,634,744	410,816	2,045,560
NET POSITION AT END OF YEAR.....	\$ 1,768,166	\$ 527,571	\$ 2,295,737

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Statistical Section

**Salem Art Scenes
Artists' Row Mural Commission**



Liz LaManche
Unity Path

Statistical Section

This part of the Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Net Position By Component

Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets.....	\$ 170,092,864	\$ 172,084,606	\$ 171,154,358	\$ 176,860,142	\$ 179,897,226	\$ 179,256,590	\$ 177,412,781	\$ 175,205,346	\$ 172,251,531	\$ 169,569,683
Restricted.....	14,383,949	12,047,560	9,234,701	11,301,791	11,216,626	12,710,222	13,833,693	18,694,258	19,544,415	20,029,522
Unrestricted.....	(116,481,627)	(125,845,138)	(126,419,624)	(244,081,157)	(258,892,411)	(258,253,151)	(262,448,325)	(253,279,775)	(235,312,152)	(221,817,297)
Total governmental activities net position.....	\$ 67,995,186	\$ 58,287,028	\$ 53,969,435	\$ (55,919,224)	\$ (67,778,559)	\$ (66,286,339)	\$ (71,201,851)	\$ (59,380,171)	\$ (43,516,206)	\$ (32,218,092)
Business-type activities										
Net investment in capital assets.....	\$ 8,511,138	\$ 8,744,920	\$ 8,280,350	\$ 8,340,720	\$ 9,066,385	\$ 10,850,954	\$ 11,739,855	\$ 12,141,976	\$ 15,358,067	\$ 16,409,864
Unrestricted.....	6,184,586	3,008,694	3,573,341	3,735,855	3,761,807	4,355,082	3,814,258	4,883,926	5,733,856	8,236,216
Total business-type activities net position.....	\$ 14,695,724	\$ 11,753,614	\$ 11,853,691	\$ 12,076,575	\$ 12,828,192	\$ 15,206,036	\$ 15,554,113	\$ 17,025,902	\$ 21,091,923	\$ 24,646,080
Primary government										
Net investment in capital assets.....	\$ 178,604,002	\$ 180,829,526	\$ 179,434,708	\$ 185,200,862	\$ 188,963,611	\$ 190,107,544	\$ 189,152,636	\$ 187,347,322	\$ 187,609,598	\$ 185,979,547
Restricted.....	14,383,949	12,047,560	9,234,701	11,301,791	11,216,626	12,710,222	11,160,605	18,694,258	19,544,415	20,029,522
Unrestricted.....	(110,297,041)	(122,836,444)	(122,846,283)	(240,345,302)	(255,130,604)	(253,898,069)	(255,736,767)	(248,395,849)	(229,578,296)	(213,581,081)
Total primary government net position.....	\$ 82,690,910	\$ 70,040,642	\$ 65,823,126	\$ (43,842,649)	\$ (54,950,367)	\$ (51,080,303)	\$ (55,423,526)	\$ (42,354,269)	\$ (22,424,283)	\$ (7,572,012)

GASB 68 was implemented in 2015 and the net pension liability was recorded which changed the 2014 net position for the first time.

GASB 75 was implemented in 2018 and the net other postemployment benefits liability was recorded. Fiscal year 2017 was revised to reflect this implementation.

In 2018 it was determined the golf course fund would be more appropriately reported as a governmental fund, accordingly beginning net position for governmental and business-type activities was revised.

In 2019 the City restated beginning net position to update the measurement date for GASB 75 to the current fiscal year end. Fiscal year 2018 has been restated to reflect the change.

GASB 84 was implemented in 2021. This also required the revision of the ending net position in 2020.

Changes in Net Position

Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government.....	\$ 10,080,121	\$ 12,503,170	\$ 11,788,264	\$ 12,327,559	\$ 13,502,981	\$ 14,486,804	\$ 14,730,269	\$ 17,244,438	\$ 17,854,285	\$ 17,417,595
Public safety.....	29,879,444	29,652,698	29,707,698	32,046,642	32,001,933	31,777,519	33,673,750	33,369,099	32,550,209	35,677,619
Education.....	100,837,487	100,997,380	105,955,199	114,049,284	116,239,977	115,406,817	123,301,336	123,985,097	117,501,318	126,958,011
Public works.....	9,092,995	11,878,911	12,627,503	10,846,604	10,560,810	9,959,222	11,229,781	10,647,022	12,844,904	13,762,495
Community development.....	1,304,481	1,569,281	1,033,601	1,335,941	1,404,147	1,588,839	1,281,898	929,881	1,924,333	1,120,375
Health and human services.....	5,788,579	6,850,201	6,793,390	6,714,390	6,326,856	6,808,172	6,481,127	6,654,258	8,851,177	10,240,624
Culture and recreation.....	3,589,253	3,277,578	3,585,339	3,576,595	4,177,418	5,636,443	5,511,415	4,422,556	5,239,600	6,739,520
Community preservation.....	5,350	356,518	80,610	456,019	923,668	354,876	1,023,018	267,267	344,261	4,496
Interest.....	1,328,888	1,349,443	1,313,435	1,646,278	1,379,029	1,188,110	1,451,399	1,325,596	1,971,167	1,920,794
Total government activities expenses.....	161,906,598	168,435,180	172,885,039	182,999,312	186,516,819	187,206,802	198,683,993	198,845,214	199,081,254	213,841,529
Business-type activities:										
Water and sewer.....	11,241,391	12,386,557	11,694,630	10,787,708	11,472,948	13,471,149	15,280,177	14,389,522	13,663,317	14,185,902
Trash.....	2,373,876	2,448,400	2,762,022	2,917,405	3,125,896	3,463,566	3,762,943	3,694,631	3,642,700	3,649,791
Golf course (B).....	466,834	472,708	531,307	552,606	-	-	-	-	-	-
Parking (A).....	968,159	-	-	-	-	-	-	-	-	-
Cable access (C).....	-	-	-	-	-	-	471,155	599,119	583,799	584,611
Total business type activities expenses.....	15,050,260	15,307,665	14,987,959	14,257,719	14,598,844	16,934,715	19,514,275	18,683,272	17,889,816	18,420,304
Total primary government expenses.....	\$ 176,956,858	\$ 183,742,845	\$ 187,872,998	\$ 197,257,031	\$ 201,115,663	\$ 204,141,517	\$ 218,198,268	\$ 217,528,486	\$ 216,971,070	\$ 232,261,833
Program Revenues										
Governmental activities:										
Education charges for services.....	\$ 1,275,125	\$ 1,036,778	\$ 1,224,683	\$ 807,217	\$ 951,076	\$ 1,182,469	\$ 1,048,187	\$ 1,864,460	\$ 1,942,756	\$ 802,544
Public Safety charges for services.....	2,237,189	2,712,983	2,289,056	3,257,068	2,589,149	3,126,420	2,976,397	5,529,258	5,037,681	6,171,072
Other charges for services.....	2,345,324	4,762,457	4,971,335	5,576,210	6,403,324	7,518,374	6,627,486	7,571,872	9,452,215	8,724,918
Operating grants and contributions.....	50,489,073	46,826,741	52,223,253	54,915,403	56,548,429	58,620,802	61,085,619	67,513,431	68,916,399	73,252,770
Capital grant and contributions.....	8,496,589	5,050,922	7,213,351	7,576,188	2,514,534	2,868,195	1,258,359	2,691,074	3,200,704	1,692,932
Total government activities program revenues.....	64,843,300	60,389,881	67,921,678	72,132,086	69,006,512	73,316,260	72,996,048	85,170,095	88,549,755	90,644,236
Business-type activities:										
Charges for services - Water and sewer.....	13,086,639	13,288,556	13,043,867	13,312,357	13,486,343	15,901,307	15,611,454	15,991,225	16,484,285	17,364,882
Charges for services - Trash.....	678,607	689,982	838,882	861,402	855,521	869,723	905,403	950,498	935,234	937,468
Charges for services - Golf (B).....	705,341	724,052	805,227	749,590	-	-	-	-	-	-
Charges for services - Parking (A).....	2,510,838	-	-	-	-	-	-	-	-	-
Charges for services - Cable access (C).....	-	-	-	-	-	-	509,133	636,564	583,799	589,592
Capital grants and contributions.....	2,887,131	102,518	-	-	-	-	-	-	-	-
Total business-type activities program revenues.....	19,868,556	14,805,108	14,687,976	14,923,349	14,341,864	16,771,030	17,025,990	17,578,287	18,003,318	18,891,942
Total primary government program revenues.....	\$ 84,711,856	\$ 75,194,989	\$ 82,609,654	\$ 87,055,435	\$ 83,348,376	\$ 90,087,290	\$ 90,022,038	\$ 102,748,382	\$ 106,553,073	\$ 109,536,178
Net (Expense)/Revenue										
Governmental activities.....	\$ (97,063,298)	\$ (108,045,299)	\$ (104,963,361)	\$ (110,867,226)	\$ (117,510,307)	\$ (113,890,542)	\$ (125,687,945)	\$ (113,675,119)	\$ (110,531,499)	\$ (123,197,293)
Business-type activities.....	4,818,296	(502,557)	(299,983)	665,630	(256,980)	(163,685)	(2,488,285)	(1,104,985)	113,502	471,638
Total primary government net expense.....	\$ (92,245,002)	\$ (108,547,856)	\$ (105,263,344)	\$ (110,201,596)	\$ (117,767,287)	\$ (114,054,227)	\$ (128,176,230)	\$ (114,780,104)	\$ (110,417,997)	\$ (122,725,655)

(continued)

Changes in Net Position

Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 79,012,963	\$ 82,444,144	\$ 84,802,453	\$ 90,118,638	\$ 92,995,509	\$ 97,731,795	\$ 102,701,481	\$ 104,555,152	\$ 107,763,402	\$ 113,386,750
Tax and other liens.....	563,353	708,963	523,414	317,548	497,622	899,483	209,038	933,398	673,873	190,966
Motor vehicle and other excise taxes.....	3,890,099	3,929,230	4,194,711	4,311,772	4,486,746	4,594,318	4,451,078	4,558,160	4,660,371	4,719,425
Hotel/motel and meals tax.....	1,319,418	1,362,357	1,541,901	1,683,573	1,845,865	1,965,633	2,053,446	1,442,741	3,180,523	3,652,321
Marijuana tax.....	-	-	-	-	-	223,889	742,899	1,084,324	1,233,984	886,924
Marijuana impact fee.....	-	-	-	-	-	223,889	1,288,454	1,437,951	1,958,625	320,437
Community preservation taxes.....	486,797	535,637	561,424	590,722	612,399	661,702	783,879	822,738	859,285	905,183
Penalties and interest on taxes.....	457,958	443,444	497,484	466,092	495,693	522,287	531,031	718,720	576,991	538,822
Payments in lieu of taxes.....	1,321,060	1,043,782	1,322,806	1,082,164	1,572,535	1,674,743	1,294,385	1,412,210	1,322,695	1,198,061
Grants and contributions not restricted to specific programs.....	6,775,827	7,182,509	6,881,968	7,218,934	7,527,909	7,727,978	7,768,343	7,869,293	8,507,747	8,508,223
Unrestricted investment income (loss).....	1,377,835	554,360	459,322	1,134,074	947,635	1,484,742	1,392,581	2,419,524	(1,275,090)	2,868,699
Miscellaneous.....	344,538	122,979	260,344	318,858	585,870	437,721	515,136	819,712	885,577	402,115
Transfers, net.....	1,653,218	9,736	(400,060)	(510,404)	(1,050,090)	(2,541,529)	(2,836,362)	(2,576,774)	(3,952,519)	(3,082,519)
Total governmental activities.....	97,203,066	98,337,141	100,645,767	106,731,971	110,517,693	115,606,651	120,895,389	125,497,149	126,395,464	134,495,407
Business-type activities:										
Transfers, net.....	(1,653,218)	(9,736)	400,060	510,404	1,050,090	2,541,529	2,836,362	2,576,774	3,062,519	3,082,519
Total primary government.....	\$ 95,549,848	\$ 98,327,405	\$ 101,045,827	\$ 107,242,375	\$ 111,567,783	\$ 118,148,180	\$ 123,731,751	\$ 128,073,923	\$ 129,457,983	\$ 137,577,926
Changes in Net Position										
Governmental activities.....	\$ 139,768	\$ (9,708,158)	\$ (4,317,594)	\$ (4,135,255)	\$ (6,992,614)	\$ 1,716,109	\$ (4,792,556)	\$ 11,822,030	\$ 15,863,965	\$ 11,298,114
Business-type activities.....	3,165,078	(512,293)	100,077	1,176,034	793,110	2,377,844	348,077	1,471,789	3,176,021	3,554,157
Total primary government.....	\$ 3,304,846	\$ (10,220,451)	\$ (4,217,517)	\$ (2,959,221)	\$ (6,199,504)	\$ 4,093,953	\$ (4,444,479)	\$ 13,293,819	\$ 19,039,986	\$ 14,852,271

- (A) In 2015 the City reclassified the parking fund to a governmental activity.
 (B) In 2018 the City reclassified the golf course fund to a governmental activity.
 (C) In 2020 the City approved and established the cable access enterprise fund.

(concluded)

Fund Balances, Governmental Funds

Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Committed.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,000	\$ 826,561
Assigned.....	1,002,935	558,880	661,246	468,894	303,334	281,435	1,138,425	3,649,420	3,158,277	1,976,714
Unassigned.....	<u>11,998,002</u>	<u>11,159,068</u>	<u>12,937,609</u>	<u>14,518,650</u>	<u>13,712,764</u>	<u>16,663,968</u>	<u>21,573,780</u>	<u>27,899,121</u>	<u>31,377,365</u>	<u>27,833,746</u>
Total general fund.....	<u>\$ 13,000,937</u>	<u>\$ 11,717,948</u>	<u>\$ 13,598,855</u>	<u>\$ 14,987,544</u>	<u>\$ 14,016,098</u>	<u>\$ 16,945,403</u>	<u>\$ 22,712,205</u>	<u>\$ 31,548,541</u>	<u>\$ 35,085,642</u>	<u>\$ 30,637,021</u>
All Other Governmental Funds										
Nonspendable.....	\$ 2,074,987	\$ 2,151,087	\$ 2,176,969	\$ 2,206,224	\$ 2,206,224	\$ 1,886,480	\$ 1,894,529	\$ 1,894,529	\$ 1,894,529	\$ 1,894,529
Restricted.....	15,563,265	12,440,090	20,988,535	19,857,614	19,857,614	20,298,016	23,307,555	35,591,130	36,936,958	41,766,441
Unassigned.....	<u>(2,089,648)</u>	<u>(1,002,367)</u>	<u>(23,344)</u>	<u>(128,661)</u>	<u>(128,661)</u>	<u>-</u>	<u>-</u>	<u>(272,535)</u>	<u>(420,190)</u>	<u>(170,190)</u>
Total all other governmental funds....	<u>\$ 15,548,604</u>	<u>\$ 13,588,810</u>	<u>\$ 23,142,160</u>	<u>\$ 21,935,177</u>	<u>\$ 21,935,177</u>	<u>\$ 22,184,496</u>	<u>\$ 25,202,084</u>	<u>\$ 37,213,124</u>	<u>\$ 38,411,297</u>	<u>\$ 43,490,780</u>

GASB 84 was implemented in 2021. This also required the revision of the ending fund balance in 2020.

Source: Audited Financial Statements

Changes in Fund Balances, Governmental Funds

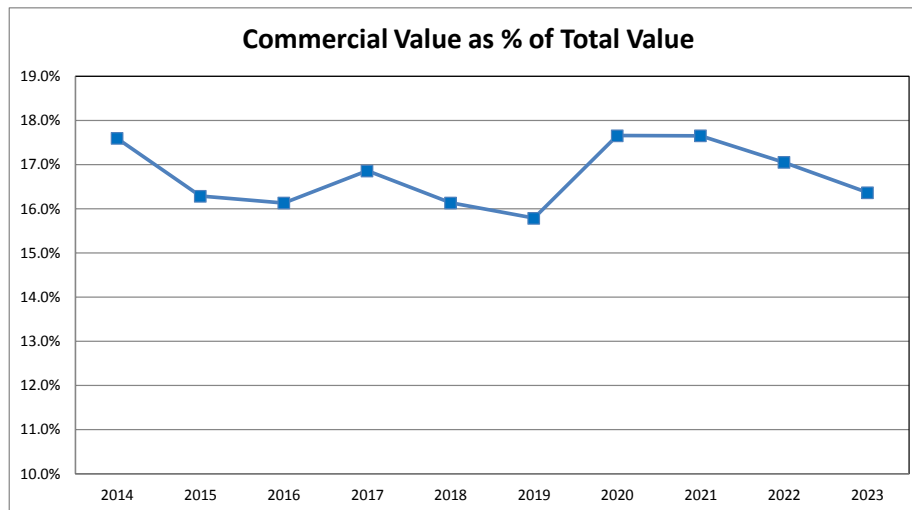
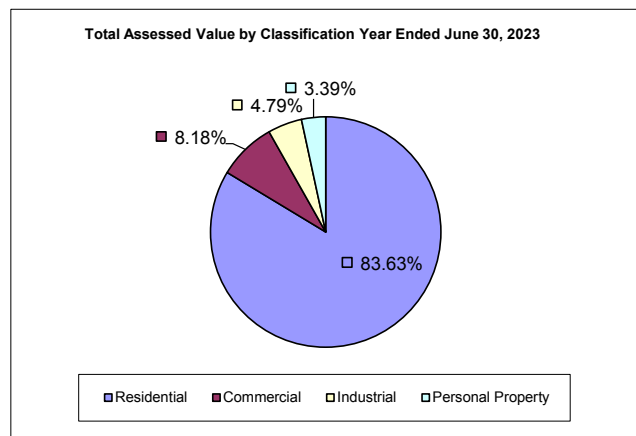
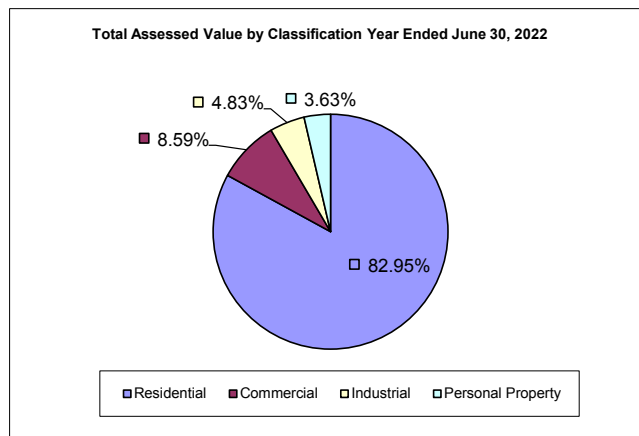
Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 79,449,354	\$ 82,905,745	\$ 85,828,099	\$ 91,488,374	\$ 93,102,182	\$ 98,715,028	\$ 102,579,654	\$ 105,839,943	\$ 108,411,796	\$ 113,343,389
Motor vehicle and other excise taxes.....	3,799,179	3,945,343	4,057,235	4,300,898	4,456,037	4,608,527	4,411,782	4,669,801	4,574,784	4,611,573
Departmental and other.....	11,097,377	13,036,554	14,259,338	14,159,322	19,953,037	20,904,170	19,449,187	23,906,864	28,587,766	26,339,297
Investment income (loss).....	1,377,835	554,360	459,322	1,134,074	846,980	1,426,392	1,392,581	2,419,524	(1,275,090)	2,868,699
Intergovernmental.....	49,698,445	49,811,556	51,544,933	53,058,071	46,824,285	51,721,106	52,116,754	56,914,294	69,079,112	68,697,153
Intergovernmental - School Building Authority.....	3,695,128	3,171,572	3,171,572	3,171,572	1,389,074	732,824	732,824	-	547,125	-
Intergovernmental - Teachers Retirement.....	10,808,000	6,752,780	10,209,061	13,244,953	14,100,491	13,779,211	16,893,653	19,201,331	9,747,726	11,130,460
Total Revenue.....	159,925,318	160,177,910	169,529,560	180,557,264	180,672,086	191,887,258	197,576,435	212,951,757	219,673,219	226,990,571
Expenditures:										
General government.....	6,218,639	8,285,799	7,404,363	7,971,958	9,740,148	10,635,954	10,120,706	13,334,262	13,688,032	12,659,318
Public safety.....	19,627,830	19,936,450	19,682,270	20,668,857	21,796,758	21,701,555	22,788,763	25,035,924	25,921,519	27,806,729
Education.....	54,548,503	63,150,832	60,044,184	71,832,889	73,764,881	75,096,418	74,481,293	74,592,453	82,893,940	91,559,958
Public works.....	5,230,942	7,137,934	7,530,669	6,216,029	6,469,400	5,866,995	6,962,887	6,621,075	8,549,478	9,405,412
Community development.....	1,629,209	1,544,509	1,033,601	1,335,941	1,404,147	1,588,839	1,281,898	929,881	1,924,333	1,120,375
Health and human services.....	5,446,188	6,424,227	6,341,080	5,837,125	5,589,063	6,065,825	5,770,743	6,065,567	8,394,508	9,722,974
Culture and recreation.....	2,368,401	2,264,401	2,347,889	2,366,896	2,872,247	4,286,937	3,954,001	3,050,376	3,830,931	4,898,895
Community preservation.....	5,350	356,518	506,415	456,019	923,668	354,876	1,023,018	267,267	344,261	4,496
Pension benefits.....	20,402,625	16,923,249	20,151,894	10,365,094	10,934,690	11,486,335	12,109,617	12,807,783	13,468,241	14,205,287
Pension benefits - Teachers Retirement.....	10,808,000	6,752,780	10,209,061	13,244,953	14,100,491	13,779,211	16,893,653	19,201,331	9,747,726	11,130,460
Employee benefits.....	14,255,543	13,490,299	13,529,621	14,108,736	14,390,925	13,976,929	15,243,750	15,756,597	16,806,265	17,472,997
State and county charges.....	5,776,828	6,015,427	7,061,663	7,946,729	8,376,492	8,599,120	8,878,707	9,265,631	9,490,288	10,092,708
Capital outlay.....	16,665,809	13,273,983	10,251,982	14,234,566	10,245,735	16,129,277	12,310,205	20,262,472	22,894,660	10,896,486
Debt service										
Principal.....	3,073,598	2,935,000	3,500,000	3,752,361	4,312,000	4,958,353	5,024,124	4,590,057	4,999,818	5,323,021
Interest.....	1,536,769	1,558,748	1,640,859	1,810,439	1,840,860	1,770,949	1,898,097	1,914,893	2,129,135	2,948,719
Principal payments on right to use leases.....	-	-	-	-	-	-	-	-	228,497	237,806
Interest payments on right to use leases.....	-	-	-	-	-	-	-	-	196,503	187,194
Total Expenditures.....	167,594,234	170,050,156	171,235,551	182,148,592	186,761,505	196,297,573	198,741,462	213,695,569	225,508,135	229,672,835
Excess of revenues over (under) expenditures.....	(7,668,916)	(9,872,246)	(1,705,991)	(1,591,328)	(6,089,419)	(4,410,315)	(1,165,027)	(743,812)	(5,834,916)	(2,682,264)
Other Financing Sources (Uses):										
Issuance of long-term debt.....	6,680,000	5,980,000	10,473,361	665,000	7,349,229	9,513,869	10,719,064	21,373,827	9,327,262	5,783,535
Premium from issuance of debt.....	421,355	700,157	606,548	517,618	561,847	18,070	1,586,557	2,746,673	178,895	612,110
Issuance of refunding debt.....	2,509,500	-	-	3,312,000	-	-	-	-	629,880	-
Premium from issuance of refunding debt.....	262,818	-	-	464,866	-	-	-	-	40,120	-
Payments to refunded bond escrow agent.....	(2,709,130)	-	-	(3,735,364)	-	-	-	-	(670,000)	-
Right-to-use lease financing.....	284,000	351,762	1,805,846	590,426	695,958	387,461	681,180	47,462	5,016,552	-
Transfers in.....	6,718,284	3,699,383	4,779,568	7,261,562	9,364,166	3,879,780	4,512,993	4,293,092	6,362,537	8,732,996
Transfers out.....	(5,065,066)	(3,689,647)	(5,179,628)	(7,771,966)	(10,414,256)	(6,421,309)	(7,349,355)	(6,869,866)	(9,425,056)	(11,815,515)
Capital contributions.....	-	-	-	-	(2,260,269)	-	-	-	(890,000)	-
Total other financing sources (uses).....	9,101,761	7,041,655	12,485,695	1,304,142	5,296,675	7,377,871	10,150,439	21,591,188	10,570,190	3,313,126
Net change in fund balance.....	\$ 1,432,845	\$ (2,830,591)	\$ 10,779,704	\$ (287,186)	\$ (792,744)	\$ 2,967,556	\$ 8,985,412	\$ 20,847,376	\$ 4,735,274	\$ 630,862
Debt service as a percentage of noncapital expenditures.....	3.05%	2.87%	3.19%	3.31%	3.49%	3.74%	3.71%	3.36%	3.73%	3.98%

Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Last Ten Years

Assessed and Actual Values and Tax Rates									
Year	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total City Value
2014	\$ 3,265,724,508	\$ 16.73	\$ 421,704,398	\$ 115,505,220	\$ 160,002,170	\$ 697,211,788	\$ 32.05	\$ 19.43	\$ 3,962,936,296
2015	3,523,220,734	16.41	449,496,402	101,675,040	134,283,680	685,455,122	30.99	18.78	4,208,675,856
2016	3,802,708,194	15.67	479,297,217	108,008,340	144,065,880	731,371,437	29.55	17.91	4,534,079,631
2017	3,802,708,194	15.86	478,990,259	108,442,340	183,684,630	771,117,229	29.99	18.24	4,573,825,423
2018	4,249,989,014	15.38	483,778,163	131,020,400	202,795,500	817,594,063	29.97	17.73	5,067,583,077
2019	4,606,817,409	15.10	511,657,866	144,705,400	207,287,510	863,650,776	29.55	17.38	5,470,468,185
2020	5,043,728,493	14.45	556,513,446	319,546,560	205,396,370	1,081,456,376	28.42	16.92	6,125,184,869
2021	5,442,241,557	13.80	592,716,641	323,387,300	250,492,890	1,166,596,831	27.60	16.24	6,608,838,388
2022	5,904,892,027	13.25	611,299,183	343,903,330	258,562,250	1,213,764,763	26.31	15.48	7,118,656,790
2023	6,558,258,053	12.51	641,590,725	375,963,052	265,961,700	1,283,515,477	25.25	14.60	7,841,773,530



Source: Assessor's Department, City of Salem

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2023			2014		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Salem Harbor Power Development	Power Plant - Industrial	\$211,773,822	1	2.70%	\$50,000,000	1	1.26%
New England Power Co./Boston Gas	Personal & Industrial	75,577,600	2	0.96%	31,171,120	4	0.79%
Princeton Crossing Apts	Apartments	59,723,100	3	0.76%	27,070,700	5	0.68%
National Grid	Personal Property	59,561,890	4	0.76%	34,361,950	2	0.87%
Prime Storage Shetland, LLC	Industrial & Commercial	59,534,600	5	0.76%	26,642,790	6	0.67%
Mass Electric	Personal Property	59,478,180	6	0.76%	25,759,480	7	0.65%
MIREF Hawthorne LLC	Apartments	58,807,800	7	0.75%	-	-	-
PMI Salem LLC (was Bell Fund V)	Apartments	51,135,300	8	0.65%	33,943,300	3	0.86%
Highlander Plaza Realty Trust	Commercial Property	32,495,500	9	0.41%	20,341,900	9	0.51%
Algonquin Gas Transmission Co	Personal Property	31,813,600	10	0.41%	20,941,700	8	0.53%
Second Pickwick Trust	Commerical Property	-	-	-	13,244,900	10	0.33%
Totals		<u>\$699,901,392</u>		<u>8.9%</u>	<u>\$283,477,840</u>		<u>7.2%</u>

Source: Board of Assessors

Property Tax Levies and Collections

Last Ten Years

Year	Total Tax Levy	Less Abatements & Exemptions	Net Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2014	\$ 76,981,209	\$ 337,606	\$ 76,643,603	\$ 75,905,195	99.0%	\$ 738,408	\$ 76,643,603	100.0%
2015	79,058,306	354,811	78,703,495	78,006,777	99.1%	696,718	78,703,495	100.0%
2016	81,200,463	341,538	80,858,925	80,580,642	99.7%	278,283	80,858,925	100.0%
2017	85,600,551	364,920	85,235,631	84,518,157	99.2%	717,474	85,235,631	100.0%
2018	89,868,125	705,771	89,162,354	88,816,390	99.6%	345,964	89,162,354	100.0%
2019	95,083,826	701,588	94,382,238	94,317,747	99.9%	64,491	94,382,238	100.0%
2020	103,616,867	706,640	102,910,227	102,518,341	99.6%	391,886	102,910,227	100.0%
2021	107,301,006	832,919	106,468,087	105,541,964	99.1%	926,123	106,468,087	100.0%
2022	110,173,970	911,581	109,262,389	108,826,811	99.6%	435,578	109,262,389	100.0%
2023	114,452,574	981,444	113,471,130	112,439,316	99.1%	-	112,439,316	99.1%

Source: Massachusetts Department of Revenue; Board of Assessors

Ratios of Outstanding Debt by Type

Last Ten Years

Year	U.S. Census Population	Personal Income	Assessed Value	Governmental Activities			Business-type Activities			Total Primary Government			
				General Obligation Bonds	Capital Financing	Leases	General Obligation Bonds	Direct Borrowings	Leases	Total Outstanding Debt	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2014	41,340	\$ 1,301,351,782	\$ 3,962,936,296	\$ 39,943,717	\$ -	\$ 626,059	\$ 17,204,000	\$ 1,621,303	\$ 105,047	\$ 59,500,126	\$ 1,439	4.57%	1.50%
2015	42,544	1,282,020,896	4,208,675,856	43,473,824	-	698,595	18,424,000	1,511,000	257,054	64,364,473	1,513	5.02%	1.53%
2016	42,544	1,083,723,312	4,534,079,631	50,735,271	-	2,211,224	28,268,426	1,398,468	274,554	82,887,943	1,948	7.65%	1.83%
2017	42,544	1,445,049,504	4,573,825,423	47,959,069	-	2,250,280	29,993,450	1,283,663	226,416	81,712,878	1,921	5.65%	1.79%
2018	41,340	1,161,075,240	5,067,583,077	49,229,007	-	2,346,553	37,697,556	1,166,539	67,083	90,506,738	2,189	7.80%	1.79%
2019	42,869	1,243,543,952	5,470,468,185	53,489,896	-	1,902,608	39,687,779	1,047,049	-	96,127,332	2,242	7.73%	1.76%
2020	43,226	1,563,138,612	6,125,184,869	60,242,882	-	1,846,952	41,933,073	925,145	-	104,948,052	2,428	6.71%	1.71%
2021	44,480	1,708,032,000	6,608,838,388	78,029,484	1,114,179	1,114,179	43,587,413	800,778	-	124,646,033	2,802	7.30%	1.89%
2022	44,819	1,779,179,843	7,118,656,790	83,567,567	510,485	4,788,055	44,872,464	673,898	-	134,412,469	2,999	7.55%	1.89%
2023	44,452	1,908,946,688	7,841,773,530	83,917,389	85,765	4,550,249	44,099,121	544,455	-	133,196,979	2,996	6.98%	1.70%

Source: Audited Financial Statements, U. S. Census

Ratios of General Bonded Debt Outstanding

Last Ten Years

Year	Total Primary Government						
	U. S. Census Population	Personal Income	Assessed Value	General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2014	41,340	\$ 1,301,351,782	\$ 3,962,936,296	\$ 57,147,717	\$ 1,382	4.39%	1.44%
2015	42,544	1,282,020,896	4,208,675,856	61,897,824	1,455	4.83%	1.47%
2016	42,544	1,083,723,312	4,534,079,631	79,003,697	1,857	7.29%	1.74%
2017	42,544	1,445,049,504	4,573,825,423	77,952,519	1,832	5.39%	1.70%
2018	41,340	1,161,075,240	5,067,583,077	86,926,563	2,103	7.49%	1.72%
2019	42,869	1,243,543,952	5,470,468,185	93,177,675	2,174	7.49%	1.70%
2020	43,226	1,563,138,612	6,125,184,869	102,175,955	2,364	6.54%	1.67%
2021	44,480	1,708,032,000	6,608,838,388	121,616,897	2,734	7.12%	1.84%
2022	44,819	1,779,179,843	7,118,656,790	128,440,031	2,866	7.22%	1.80%
2023	44,452	1,908,946,688	7,841,773,530	128,016,510	2,880	6.71%	1.63%

Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2023

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping debt:			
Essex North Shore Agricultural & Technical School.....	\$ 26,065,000	9.97%	\$ <u>2,599,910</u>
Direct debt:			
Right to use lease liabilities.....			4,550,249
Capital financing.....			85,765
Governmental bonds payable.....			<u>83,917,389</u>
City total direct debt.....			<u>88,553,403</u>
Total direct and overlapping debt.....			<u><u>\$ 91,153,313</u></u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of the overlapping governments that is borne by the taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage applicable for the Essex North Shore Agricultural & Technical School is based on the number of students attending from the City of Salem as a percentage of all students at the Regional School.

Source: Treasurer and Essex North Shore Agricultural & Technical School

Computation of Legal Debt Margin

Last Ten Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Equalized Valuation.....	\$ <u>4,191,566,000</u>	\$ <u>4,191,566,000</u>	\$ <u>4,757,173,700</u>	\$ <u>4,757,173,700</u>	\$ <u>5,354,781,400</u>	\$ <u>5,354,781,400</u>	\$ <u>6,602,630,500</u>	\$ <u>6,641,110,700</u>	\$ <u>7,739,164,400</u>	\$ <u>7,739,164,400</u>
Debt Limit -5% of Equalized Valuation.....	\$ 209,578,300	\$ 209,578,300	\$ 237,858,685	\$ 237,858,685	\$ 267,739,070	\$ 267,739,070	\$ 330,131,525	\$ 332,055,535	\$ 386,958,220	\$ 386,958,220
Less:										
Outstanding debt applicable to limit.....	23,966,500	30,306,500	32,996,153	36,040,315	40,102,544	37,522,000	47,851,731	50,962,000	67,755,600	73,281,524
Authorized and unissued debt.....	<u>36,905,041</u>	<u>28,415,041</u>	<u>60,521,980</u>	<u>49,272,080</u>	<u>37,700,822</u>	<u>61,697,012</u>	<u>55,805,827</u>	<u>91,477,893</u>	<u>50,611,290</u>	<u>81,904,031</u>
Legal debt margin.....	\$ <u>148,706,759</u>	\$ <u>150,856,759</u>	\$ <u>144,340,552</u>	\$ <u>152,546,290</u>	\$ <u>189,935,704</u>	\$ <u>168,520,058</u>	\$ <u>226,473,967</u>	\$ <u>189,615,642</u>	\$ <u>268,591,330</u>	\$ <u>231,772,665</u>
Total debt applicable to the limit as a percentage of debt limit.....	29.04%	28.02%	39.32%	35.87%	29.06%	37.06%	31.40%	42.90%	30.59%	40.10%

Source: Audited Financial Statements; Statement of Indebtedness; and the Massachusetts Department of Revenue, Bureau of Local Assessment.

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2014	41,340	\$ 1,301,351,782	\$ 31,479	39.2	4,478	6.2%
2015	42,544	1,282,020,896	30,134	38.4	4,222	5.6%
2016	42,544	1,083,723,312	25,473	38.2	3,949	4.7%
2017	42,544	1,445,049,504	33,966	39.1	4,144	3.7%
2018	41,340	1,161,075,240	28,086	39.4	3,737	4.2%
2019	42,869	1,243,543,952	29,008	39.6	4,024	3.1%
2020	43,226	1,563,138,612	36,162 *	39.5	3,620	20.4% **
2021	44,480	1,708,032,000	38,400	37.1	3,734	6.4%
2022	44,819	1,779,179,843	39,697	38.2	3,665	3.5%
2023	44,452	1,908,946,688	42,944	37.6	3,709	2.6%

Note: *Per Capita Personal Income based on DOR Community Comparison Report (2014-2018 Figures available)

**Unemployment rates in FY 2020 were 3.2% as of March 20th, prior to COVID 19 pandemic

Source: Massachusetts Department of Revenue, Division of Local Services; City Clerks office, Workforce Board

Principal Employers

Current Year and Nine Years Ago

Employer	Nature of Business	2023			2014		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
North Shore Medical Center	Healthcare	4,430	1	18.8%	3,544	1	15.8%
City of Salem	Municipal Government	1,884	2	8.0%	1,566	2	7.0%
Salem State University	Higher Education	1,232	3	5.2%	1,494	3	6.7%
Commonwealth of Massachusetts	State Government	691	4	2.9%	344	6	1.5%
Market Basket	Food Market	467	5	2.0%	560	5	2.5%
Salem Five Savings	Banking	351	6	1.5%	300	7	1.3%
Peabody Essex Museum	Cultural/Tourism	223	7	0.9%	261	8	1.2%
Home Depot	Retail	190	8	0.8%	-	-	-
Excelitas Technologies	Technology	181	9	0.8%	200	10	-
Walmart	Retail	150	10	0.6%	-	-	-
Shaughnessy	Health Care	-	-	-	575	4	2.6%
Grosvenor Park Nursing Center	Health Care	-	-	-	252	9	1.1%
		9,799		41.7%	9,096		39.6%

Source: The City Planning Department

In past years the City was excluded from the Principal Employers table.

Full-time Equivalent City Employees by Function

	Last Ten Years									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Function										
General government.....	37	38	56	65	91	88	73	80	87	92
Public safety.....	210	211	210	214	206	206	222	216	221	211
Education.....	841	841	1,008	860	980	881	881	881	881	881
Public works.....	41	41	58	60	40	43	43	49	38	42
Engineering.....	1	1	3	4	10	12	11	10	13	13
Health and human services.....	14	13	15	16	18	11	17	17	20	20
Culture and recreation.....	24	24	25	25	25	35	27	25	30	30
Total	<u>1,168</u>	<u>1,169</u>	<u>1,375</u>	<u>1,244</u>	<u>1,370</u>	<u>1,275</u>	<u>1,274</u>	<u>1,278</u>	<u>1,291</u>	<u>1,289</u>

Source: Various City Departments

Operating Indicators by Function/Program

Function/Program	Last Ten Years									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
Marriage recordings.....	365	338	337	352	346	356	427	448	435	449
Birth recordings.....	1,566	1,659	1,539	1,560	1,518	1,548	1,418	1,425	1,506	1,620
Death recordings.....	560	605	520	474	566	578	663	710	770	587
Police										
Physical arrests.....	1,597	2,509	2,455	1,320	2,025	2,063	1,601	1,573	1,486	848
Motor vehicle violations.....	7,936	8,660	6,267	5,764	5,437	7,727	5,330	5,427	5,685	5,913
Police personnel and officers.....	100	103	101	110	115	128	122	119	127	127
Fire										
Inspections.....	1,192	1,545	2,047	1,470	1,126	821	716	571	1,851	1,161
Emergency responses.....	6,292	6,752	7,054	7,116	7,576	5,315	5,546	6,009	7,388	7,735
Fire personnel and officers.....	88	88	88	88	88	88	88	88	88	89
Education										
Number of students.....	4,478	4,222	3,949	3,831	4,065	4,096	3,939	3,734	3,665	3,709
Number of graduates.....	275	271	211	228	228	219	184	204	226	249
Number of teachers.....	542	571	521	464	510	503	354	324	360	360
Water										
Service connections.....	11,827	9,833	9,998	10,136	10,009	10,218	10,155	10,269	10,191	10,319
Consumption in gallons.....	1,898	1,898	1,612	1,504	1,500	1,297	1,711	1,101	1,076	1,273
Daily consumption (MG).....	5.00	4.00	5.20	4.12	6.00	4.20	4.70	3.00	2.90	5.02
Sewer										
Service connections.....	11,807	9,813	9,988	9,881	9,894	9,903	9,944	9,965	9,975	10,048
Health and human services										
Number of persons using COA transportation.....	12,698	14,704	11,479	12,575	18,548	19,290	13,073	3,236	11,096	14,100
Libraries										
Volumes in circulation.....	168,263	172,628	163,038	177,858	169,299	166,544	172,672	161,690	168,637	242,424
Total volumes borrowed.....	430,391	397,810	353,800	356,973	328,276	337,782	239,099	154,458	235,498	250,601

Source: Various City Departments; Massachusetts Department of Education

Capital Asset Statistics by Function/Program

<u>Function/Program</u>	<u>Last Ten Years</u>									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General government										
Number of buildings.....	2	2	2	2	2	2	2	2	2	2
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	4	4	4	4	4	4	4	4	4	4
Education										
Number of elementary schools.....	7	7	7	7	7	6	6	6	6	6
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	102	102	102	102	102	102	102	102	102	102
Number of personnel.....	13.8	13.8	21	21	18	27.9	27.9	26.9	35	35
Culture and recreation										
Parks and playgrounds.....	35	35	35	35	36	36	36	36	36	36
Park and playground (acreage).....	230	230	230	230	230	230	230	230	230	230
Conservation land (acreage).....	128	128	128	128	128	128	128	128	128	128
Railroad right of way (acreage).....	89	89	89	89	89	89	89	89	89	89
Public beaches.....	7	7	7	7	7	7	7	7	7	7
Ball fields.....	13	13	13	13	13	13	13	13	13	13
Tennis courts.....	10	10	10	10	10	10	10	10	10	10

Source: Various City Departments, Manual of the City Government

Free Cash and Stabilization Fund Balances

Last Ten Years

<u>Year</u>	<u>Free Cash</u>	<u>Stabilization Funds</u>
FY2023.....	\$ 11,108,367	\$ 17,140,802
FY2022.....	16,293,365	15,071,140
FY2021.....	17,444,553	10,755,136
FY2020.....	8,951,313	9,563,649
FY2019.....	7,638,739	7,778,566
FY2018.....	5,949,483	6,511,290
FY2017.....	4,922,937	6,037,015
FY2016.....	5,380,858	5,531,963
FY2015.....	4,949,767	5,440,226
FY2014.....	3,349,683	5,173,812

Source: City Records