



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

***HAMILTON-WENHAM REGIONAL SCHOOL
DISTRICT***

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

YEAR ENDED JUNE 30, 2023

HAMILTON-WENHAM REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Honorable School Committee
Hamilton-Wenham Regional School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hamilton-Wenham Regional School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 District 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023 on our consideration of the District's 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ponce & Sullivan, LLC". The signature is written in a cursive, flowing style.

October 16, 2023

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Hamilton-Wenham Regional School District (District), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Hamilton-Wenham Regional School District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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, 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 government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 revenues and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by member Town assessments 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 administration, instructional services, other student services, operation and maintenance, employee benefits and other fixed charges, programs with other school districts, depreciation, and interest. The District had no business-type activities.

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 two categories: governmental 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 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 District'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 District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District’s own programs. Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s budgetary basis of accounting, pension and other postemployment benefits.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The District’s liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$31.7 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 17,565,247	\$ 14,909,196
Capital assets, net of accumulated depreciation.....	17,186,602	17,953,937
Total assets.....	34,751,849	32,863,133
Deferred outflows of resources.....	5,292,244	7,353,022
Liabilities:		
Current liabilities (excluding debt).....	4,405,503	2,792,690
Noncurrent liabilities (excluding debt).....	50,253,526	48,628,893
Current debt.....	1,109,800	1,426,400
Noncurrent debt.....	1,575,000	1,770,000
Total liabilities.....	57,343,829	54,617,983
Deferred inflows of resources.....	14,441,552	18,970,730
Net position:		
Net investment in capital assets.....	14,847,294	15,378,062
Restricted.....	1,997,087	1,970,292
Unrestricted.....	(48,585,669)	(50,720,912)
Total net position.....	\$ (31,741,288)	\$ (33,372,558)

Net position of \$14.8 million reflects its investment in capital assets; less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; 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.

Restricted net position of \$2.0 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position has a year-end deficit of \$48.6 million. The

primary reason for the deficit is the recognition of the \$39.0 million net other postemployment benefit (OPEB) liability, and the \$10.9 million net pension liability.

Governmental activities increased the District's net position by \$1.6 million. The following table shows the key elements affecting this increase.

	2023	2022
Program Revenues:		
Charges for services.....	\$ 1,020,492	\$ 1,004,423
Operating grants and contributions.....	8,795,787	7,521,529
General Revenues:		
Member town assessments.....	33,961,998	33,367,760
Grants and contributions not restricted to specific programs.....	4,458,313	4,896,629
Unrestricted investment income.....	182,010	1,982
Miscellaneous.....	56,839	33,281
Total revenues.....	48,475,439	46,825,604
Expenses:		
District administration.....	1,311,511	1,133,220
Instructional services.....	22,687,199	21,725,444
Other student services.....	4,878,821	4,111,210
Operation and maintenance.....	2,906,507	2,616,264
Employee benefits and other fixed charges.....	10,871,190	11,606,794
Programs with other school districts (tuitions).....	2,761,202	3,696,827
Depreciation.....	1,371,295	1,361,362
Interest.....	56,444	67,904
Total expenses.....	46,844,169	46,319,025
Change in net position.....	1,631,270	506,579
Net position, beginning of year.....	(33,372,558)	(33,879,137)
Net position, end of year.....	\$ (31,741,288)	\$ (33,372,558)

Revenue increased by \$1.6 million during the year, which was primarily due to a \$1.3 million increase in operating grants and contributions and a \$594,000 increase in member town assessments. The increase in operating grants is mainly attributable to education grants and the \$616,000 increase in on-behalf payments to the Massachusetts Teachers Retirement System (MTRS) that were made by the Commonwealth of Massachusetts.

Expenses increased by \$525,000 during the year and the most significant changes from the prior year include a \$962,000 increase in instructional services, a \$768,000 increase in other student services, a \$736,000 decrease in employee benefits, and a \$936,000 decrease in programs with other school districts. The decrease in employee benefits is mainly attributable to the \$698,000 decrease in OPEB expense. The increase in instructional services mainly relates to the increase in the operating budget. The increase in other student services is mainly due to school lunch and student transportation costs.

The \$1.6 million increase in net position is primarily due to a \$1.4 million increase in the governmental funds fund balance, a \$698,000 increase from change in the net OPEB liability and the related deferred outflows/inflows of resources, and a 604,000 increase from capital asset additions that were funded by the operating budget and available funds. These increases were offset by \$1.2 million related to depreciation expense exceeding current year debt principal payments.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Hamilton-Wenham Regional School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District'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.

At year-end, governmental funds reported a combined ending fund balance of \$12.4 million of which \$9.5 million related to the general fund, \$3.2 million related to the revolving fund, a deficit of \$225,000 related to the school capital project fund, and a deficit of \$126,000 related to the nonmajor governmental funds. Cumulatively there was an increase of \$1.4 million in fund balance from the prior year. The increase primarily related to the \$1.4 million increase in the general fund, with minor changes in the other funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4.6 million, while total fund balance was \$9.5 million. Assigned fund balance includes \$3.2 million of reserves voted to fund the fiscal year 2024 budget as well as \$554,000 that was reserved for encumbrances. Nonspendable fund balance of \$1.2 million represented prepaid tuitions for fiscal year 2024. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance represents 23% of that same amount.

The \$1.4 million increase in the general fund is due to a revenue surplus of \$521,000, an appropriation surplus of \$2.6 million, a \$163,000 unbudgeted transfer from the transportation revolving fund, and \$1.2 million of prepaid tuition. These increases were offset by the use of \$3.1 million of excess and deficiency (E&D) to balance the operating budget. The most significant turn backs related to instructional costs, other student services, employee benefits, and programs with other districts.

The \$252,000 increase in the revolving fund was due to expected timing differences between the receipt and expenditure of program funds.

The \$83,000 decrease in the School capital project fund is due to expected timing differences between costs being incurred for capital acquisitions and improvements and the permanent financing of those costs. At year end the fund had a note payable of \$575,000.

Capital Asset and Debt Administration

Outstanding long-term debt totaled \$1.8 million as of June 30, 2023, of which \$795,000 relates to the Cutler School roof and repair projects and \$975,000 relates to the Buker School and Winthrop School heating and roof projects.

The short-term debt outstanding as of June 30, 2023, was \$915,000, and it related to various school capital improvements.

Capital asset additions totaled \$604,000 and related to equipment and building improvements. As of June 30, 2023, the District's capital assets totaled \$17.2 million.

Please refer to Notes 4, 6 and 7 of the basic financial statements for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Hamilton-Wenham Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Hamilton-Wenham Regional School District, 5 School Street, Wenham, Massachusetts 01984.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

	<i>Primary Government</i>
	Governmental Activities
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 15,689,831
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	700,383
Prepaid expense.....	1,175,033
Total current assets.....	17,565,247
NONCURRENT:	
Capital assets, net of accumulated depreciation.....	17,186,602
TOTAL ASSETS.....	34,751,849
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions.....	1,611,976
Deferred outflows related to other postemployment benefits.....	3,680,268
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	5,292,244
LIABILITIES	
CURRENT:	
Warrants payable.....	949,216
Accrued payroll.....	1,926,790
Other liabilities.....	1,361,812
Compensated absences.....	167,685
Notes payable.....	914,800
Bonds payable.....	195,000
Total current liabilities.....	5,515,303
NONCURRENT:	
Compensated absences.....	294,415
Net pension liability.....	10,941,293
Net other postemployment benefits liability.....	39,017,818
Bonds payable.....	1,575,000
Total noncurrent liabilities.....	51,828,526
TOTAL LIABILITIES.....	57,343,829
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions.....	1,239,272
Deferred inflows related to other postemployment benefits.....	13,202,280
TOTAL DEFERRED INFLOWS OF RESOURCES.....	14,441,552
NET POSITION	
Net investment in capital assets.....	14,847,294
Restricted for:	
Gifts and grants.....	1,997,087
Unrestricted.....	(48,585,669)
TOTAL NET POSITION.....	\$ (31,741,288)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
<i>Governmental Activities:</i>				
District administration.....	\$ 1,311,511	\$ -	\$ -	\$ (1,311,511)
Instructional services.....	22,687,199	350,332	3,450,098	(18,886,769)
Other student services.....	4,878,821	670,160	870,167	(3,338,494)
Operation and maintenance.....	2,906,507	-	-	(2,906,507)
Employee benefits and other fixed charges.....	10,871,190	-	4,475,522	(6,395,668)
Programs with other school districts (tuitions).....	2,761,202	-	-	(2,761,202)
Depreciation.....	1,371,295	-	-	(1,371,295)
Interest.....	56,444	-	-	(56,444)
Total Governmental Activities.....	\$ 46,844,169	\$ 1,020,492	\$ 8,795,787	\$ (37,027,890)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue from previous page.....	\$ <u>(37,027,890)</u>
<i>General revenues:</i>	
Member town assessments.....	33,961,998
Grants and contributions not restricted to specific programs.....	4,458,313
Unrestricted investment income.....	182,010
Miscellaneous revenue.....	<u>56,839</u>
Total general revenues.....	<u>38,659,160</u>
Change in net position.....	1,631,270
<i>Net position:</i>	
Beginning of year.....	<u>(33,372,558)</u>
End of year.....	<u>\$ <u>(31,741,288)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	Revolving Fund	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 11,949,035	\$ 3,225,900	\$ 382,213	\$ 132,683	\$ 15,689,831
Receivables, net of uncollectibles:					
Intergovernmental.....	490,761	-	-	209,622	700,383
Prepaid expenditure.....	1,175,033	-	-	-	1,175,033
TOTAL ASSETS.....	\$ 13,614,829	\$ 3,225,900	\$ 382,213	\$ 342,305	\$ 17,565,247
LIABILITIES					
Warrants payable.....	\$ 832,830	\$ 1,220	\$ 32,151	\$ 83,015	\$ 949,216
Accrued payroll.....	1,881,800	-	-	44,990	1,926,790
Other liabilities.....	1,361,812	-	-	-	1,361,812
Notes payable.....	-	-	574,800	340,000	914,800
TOTAL LIABILITIES.....	4,076,442	1,220	606,951	468,005	5,152,618
FUND BALANCES					
Nonspendable.....	1,175,033	-	-	-	1,175,033
Restricted.....	-	3,224,680	-	213,523	3,438,203
Assigned.....	3,726,706	-	-	-	3,726,706
Unassigned.....	4,636,648	-	(224,738)	(339,223)	4,072,687
TOTAL FUND BALANCES.....	9,538,387	3,224,680	(224,738)	(125,700)	12,412,629
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 13,614,829	\$ 3,225,900	\$ 382,213	\$ 342,305	\$ 17,565,247

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.....		\$ 12,412,629
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		17,186,602
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.....		(9,149,308)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(1,770,000)	
Net pension liability.....	(10,941,293)	
Net other postemployment benefits liability.....	(39,017,818)	
Compensated absences.....	<u>(462,100)</u>	
Net effect of reporting long-term liabilities.....		<u>(52,191,211)</u>
Net position of governmental activities.....		<u>\$ (31,741,288)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	Revolving Fund	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Member town assessments.....	\$ 33,961,998	\$ -	\$ -	\$ -	\$ 33,961,998
Intergovernmental.....	4,458,313	2,110,873	-	2,180,866	8,750,052
Intergovernmental - teachers retirement.....	4,475,522	-	-	-	4,475,522
Charges for services.....	-	469,672	-	579,346	1,049,018
Miscellaneous revenue.....	56,839	-	-	-	56,839
Investment income.....	182,010	-	-	-	182,010
TOTAL REVENUES.....	43,134,682	2,580,545	-	2,760,212	48,475,439
EXPENDITURES:					
Current:					
District administration.....	1,311,511	-	-	-	1,311,511
Instructional services.....	20,741,575	541,216	-	1,346,935	22,629,726
Other student services.....	2,813,284	281,770	-	1,783,767	4,878,821
Operation and maintenance.....	2,805,103	18,596	-	82,808	2,906,507
Employee benefits and other fixed charges.....	7,246,173	13,032	-	993	7,260,198
Pension benefits - teachers retirement.....	4,475,522	-	-	-	4,475,522
Programs with other school districts (tuitions).....	1,450,033	1,311,169	-	-	2,761,202
Capital outlay.....	286,197	-	275,033	42,730	603,960
Debt service:					
Debt service principal.....	195,000	-	-	-	195,000
Interest.....	67,095	-	-	-	67,095
TOTAL EXPENDITURES.....	41,391,493	2,165,783	275,033	3,257,233	47,089,542
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,743,189	414,762	(275,033)	(497,021)	1,385,897
OTHER FINANCING SOURCES (USES):					
Transfers in.....	162,757	-	191,600	357,806	712,163
Transfers out.....	(549,406)	(162,757)	-	-	(712,163)
TOTAL OTHER FINANCING SOURCES (USES).....	(386,649)	(162,757)	191,600	357,806	-
NET CHANGE IN FUND BALANCES.....	1,356,540	252,005	(83,433)	(139,215)	1,385,897
FUND BALANCES AT BEGINNING OF YEAR.....	8,181,847	2,972,675	(141,305)	13,515	11,026,732
FUND BALANCES AT END OF YEAR.....	\$ 9,538,387	\$ 3,224,680	\$ (224,738)	\$ (125,700)	\$ 12,412,629

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....		\$ 1,385,897
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	603,960	
Depreciation expense.....	<u>(1,371,295)</u>	
Net effect of reporting capital assets.....		(767,335)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....	<u>195,000</u>	
Net effect of reporting long-term debt.....		195,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(57,473)	
Net change in accrued interest on long-term debt.....	10,651	
Net change in deferred outflow/(inflow) of resources related to pensions.....	2,091,019	
Net change in net pension liability.....	(1,924,081)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	377,381	
Net change in net other postemployment benefits liability.....	<u>320,211</u>	
Net effect of recording long-term liabilities.....		<u>817,708</u>
Change in net position of governmental activities.....		\$ <u><u>1,631,270</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 48,827
Investments:		
Investments in Pension Reserve Investment Trust.....	2,362,568	-
Other investments.....	-	454,159
TOTAL ASSETS.....	<u>2,362,568</u>	<u>502,986</u>
NET POSITION		
Restricted for other postemployment benefits.....	2,362,568	-
Held in trust for other purposes.....	-	502,986
TOTAL NET POSITION.....	<u>\$ 2,362,568</u>	<u>\$ 502,986</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 2,150,000	\$ -
Employer contributions for other postemployment benefit payments.....	1,264,826	-
Private donations.....	-	602
Total contributions.....	3,414,826	602
Net investment income:		
Investment income.....	112,510	14,746
TOTAL ADDITIONS.....	3,527,336	15,348
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	1,264,826	-
Educational scholarships.....	-	22,176
TOTAL DEDUCTIONS.....	1,264,826	22,176
NET INCREASE (DECREASE) IN NET POSITION.....	2,262,510	(6,828)
NET POSITION AT BEGINNING OF YEAR.....	100,058	509,814
NET POSITION AT END OF YEAR.....	\$ 2,362,568	\$ 502,986

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Hamilton-Wenham Regional School District (District) 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 Hamilton-Wenham Regional School District (the District) was regionalized in 1974 and by agreement serves the Towns of Hamilton and Wenham, Massachusetts. A seven-member School Committee governs the District, which consists of elected members from the member Towns.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and institutions. The District 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 District 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 District (the primary government) and its component units. The District has no component units that require inclusion in these basic financial statements.

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* are primarily supported by member Town assessments and intergovernmental revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental 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 total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type.

Additionally, any other governmental 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

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either government or business-type. Governmental activities are generally financed through intergovernmental assessments or other nonexchange transactions. The District does not have any activities classified as business-type activities.

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. 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the District's functions and are included in employee benefits and other fixed charges in the statement of activities. Depreciation is reported as one amount, in total, on the statement of activities. None of these costs are allocated among the respective functions.

Other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

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

Investment income is susceptible to accrual. Other receipts and 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 and is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *revolving fund* is used to account for the District's revolving fund activities, which were established in accordance with Massachusetts General Laws.

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

The *nonmajor governmental funds* consist of other special revenue and capital project funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental fund financial statements. The following describes the general use of this fund type:

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.

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 *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefit (OPEB) liabilities.

The *private purpose trust fund* is used to account for assets that are held for future scholarships and awards.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

The District 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 District'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 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.

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include buildings and improvements, and machinery and equipment are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the acquisition value.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	15-50
Machinery and equipment.....	5-20

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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has reported deferred outflows of resources related to pensions and OPEB in this category.

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

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements, but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The District does not have any elements that qualify for reporting in this category.

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.

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.

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

Sometimes the District 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 District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications may include the following:

“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 District’s highest level of decision-making authority, the member communities.

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed.

“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.

Sometimes the District will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances 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 District’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. 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.

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 Essex Regional Retirement System (ERRS) and the Massachusetts Teachers Retirement System (MTRS) and

additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Long-term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide 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 gross of the applicable bond premium or discount. Bond issuance costs are reported as an outflow of resources in the reporting period in which the costs are incurred.

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.

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 governmental activities are normally paid from the funds reporting payroll and related expenditures. Compensated absences are reported in governmental funds only if they have matured.

Government-Wide 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. Fund Deficits

Individual fund deficits existed at June 30, 2023, in the school capital projects fund and the nonmajor capital projects fund. These deficits will be funded by available funds and or bond proceeds in future years.

S. Total Column

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

The District maintains a cash and investment pool 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 (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The OPEB trust fund participates in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth who serves as trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 1.98 to 14.64 years. There is no credit quality rating for the fund.

Custodial Credit Risk – Deposits

In the case of deposits, this is risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy allows for unlimited bank deposits up to one year in financial institutions that are fully collateralized or fully insured by Federal Depository Insurance or the Depository Insurance Fund. The District's policy limits unsecured deposits to no more than 5% of an institution's assets and no more than 25% of the District's cash may be comprised of unsecured bank deposits. This percentage may be increased for no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the District in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.

At year-end, the carrying amount of deposits totaled \$15,729,213 and the bank balance totaled \$18,198,396. Of the bank balance, \$13,790,134 was covered by Federal Depository Insurance, and \$4,408,262 was uninsured and uncollateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's policy to mitigate custodial credit risk requires review of the financial institution's financial statements and the background of the brokerage house and broker/dealer (Advisor). The intent of this qualification is to limit the District's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the District will be held in the District'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.

At year-end, the District’s investments in equity securities and debt securities totaling \$450,411 were subject to custodial credit risk. The investments in mutual funds and PRIT are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

The District’s policy to mitigate interest rate risk is to manage the duration of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2023, the District had the following investments and maturities:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 70,953	\$ 25,007	\$ 45,946	\$ -
Government sponsored enterprises.....	74,519	-	52,573	21,946
Corporate bonds.....	<u>172,555</u>	<u>57,578</u>	<u>114,977</u>	<u>-</u>
Total debt securities.....	318,027	\$ <u>82,585</u>	\$ <u>213,496</u>	\$ <u>21,946</u>
<u>Other investments:</u>				
Equity securities.....	132,384			
Fixed income mutual funds.....	3,748			
Money market mutual funds.....	9,445			
Pension Reserve Investment Trust (PRIT)....	<u>2,362,568</u>			
Total investments.....	\$ <u>2,826,172</u>			

Credit Risk

The District’s policy to mitigate credit risk allows for unlimited investments in United States Treasury and United States Government Agency obligations. Regarding other investments, the District will only purchase investment grade securities with a high concentration in securities rated A or better. The District may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

As of June 30, 2023, the District’s investments were rated as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds
AAA.....	\$ -	\$ 39,521
AA+.....	74,519	-
A+.....	-	17,414
A-.....	-	24,226
BBB+.....	-	20,164
BBB.....	-	71,230
Total.....	\$ <u>74,519</u>	\$ <u>172,555</u>

Concentration of Credit Risk

The District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District had no investments that exceeded 5% of the District’s total investments. Investments in government agencies, government sponsored enterprises, mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Fair Value of Investments

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

The following table presents financial assets at June 30, 2023, for which the District 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 bonds.....	\$ 70,953	\$ 70,953	\$ -	\$ -
Government sponsored enterprises.....	74,519	74,519	-	-
Corporate bonds.....	172,555	-	172,555	-
Total debt securities.....	318,027	145,472	172,555	-
<u>Other investments:</u>				
Equity securities.....	132,384	132,384	-	-
Fixed income mutual funds.....	3,748	3,748	-	-
Money market mutual funds.....	9,445	9,445	-	-
Total other investments.....	145,577	145,577	-	-
Total investments measured at fair value.....	463,604	\$ 291,049	\$ 172,555	\$ -
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT).....	2,362,568			
Total investments.....	\$ 2,826,172			

U.S. Treasury bonds, government sponsored enterprises, equity securities, fixed income mutual funds, 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 hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

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

NOTE 3 – RECEIVABLES

As of June 30, 2023, the District has an intergovernmental receivables totaling \$700,383 related to state transportation aid payments and education grants. These receivable are considered to be 100% collectible and therefore do not report an allowance for uncollectible receivables.

NOTE 4 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 39,220,410	\$ 65,606	\$ -	\$ 39,286,016
Machinery and equipment.....	<u>3,256,224</u>	<u>538,354</u>	<u>(798,375)</u>	<u>2,996,203</u>
Total capital assets being depreciated.....	<u>42,476,634</u>	<u>603,960</u>	<u>(798,375)</u>	<u>42,282,219</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(22,750,998)	(1,126,604)	-	(23,877,602)
Machinery and equipment.....	<u>(1,771,699)</u>	<u>(244,691)</u>	<u>798,375</u>	<u>(1,218,015)</u>
Total accumulated depreciation.....	<u>(24,522,697)</u>	<u>(1,371,295)</u>	<u>798,375</u>	<u>(25,095,617)</u>
Total governmental activities capital assets, net.....	<u>\$ 17,953,937</u>	<u>\$ (767,335)</u>	<u>\$ -</u>	<u>\$ 17,186,602</u>

Depreciation expense was not allocated to school functions and appears unallocated on the statement of activities.

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:			
	General fund	School capital projects	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 191,600	\$ 357,806	\$ 549,406 (1)
Revolving fund.....	162,757	-	-	162,757 (2)
Total.....	\$ 162,757	\$ 191,600	\$ 357,806	\$ 712,163

- (1) Represents budgeted transfers from the general fund to the athletics and extracurricular revolving funds, as well as transfers to capital project funds to permanently fund the projects.
- (2) Represents an unbudgeted transfer from the transportation revolving fund to the general fund as required by MGL.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

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
BAN	Winthrop School fire suppression system...	1.5	01/19/23	\$ 465,000	\$ -	\$ (465,000)	\$ -
BAN	School capital improvements.....	1.5	01/19/23	766,400	-	(766,400)	-
BAN	Winthrop School fire suppression system...	4.5	01/18/24	-	340,000	-	340,000
BAN	School capital improvements.....	4.5	01/18/24	-	574,800	-	574,800
Total Governmental Funds.....				\$ 1,231,400	\$ 914,800	\$ (1,231,400)	\$ 914,800

NOTE 7 – LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness for capital acquisition and construction. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Select Board in each of the member communities comprising the District.

As of June 30, 2023, the District's general obligation bonds outstanding were as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Cutler School roof and repair projects.....	2030	\$ 1,582,000	2.0 - 3.5	\$ 795,000
Buker/Winthrop heating and roof projects.....	2032	1,531,000	2.0 - 3.0	975,000
Total General Obligation Bonds Payable.....				\$ 1,770,000

Debt service requirements for principal and interest for general obligation bonds payable in future years were as follows:

Year	Principal	Interest	Total
2024.....	\$ 195,000	\$ 43,776	\$ 238,776
2025.....	210,000	38,701	248,701
2026.....	215,000	33,376	248,376
2027.....	220,000	27,376	247,376
2028.....	230,000	20,876	250,876
2029.....	230,000	14,476	244,476
2030.....	240,000	7,938	247,938
2031.....	115,000	3,450	118,450
2032.....	115,000	1,150	116,150
Total.....	\$ 1,770,000	\$ 191,119	\$ 1,961,119

The District 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 District had the following authorized and unissued debt:

Purpose	Amount
Cutler School feasibility study.....	\$ 1,000,000
Athletic and recreational facilities.....	15,000,000
Total.....	\$ 16,000,000

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 Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:						
Long-term debt payable.....\$	1,965,000	\$ (195,000)	\$ -	\$ -	1,770,000	\$ 195,000
Compensated absences.....	404,627	-	188,448	(130,975)	462,100	167,685
Net pension liability.....	9,017,212	-	2,973,295	(1,049,214)	10,941,293	-
Net OPEB liability.....	39,338,029	-	3,094,615	(3,414,826)	39,017,818	-
Total governmental activity						
long-term liabilities.....\$	<u>50,724,868</u>	<u>\$ (195,000)</u>	<u>\$ 6,256,358</u>	<u>\$ (4,595,015)</u>	<u>\$ 52,191,211</u>	<u>\$ 362,685</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for 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.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that can only be used for specific purposes pursuant to self-imposed constraints of the District from its highest level of decision-making authority, the member communities.
- **Assigned:** fund balances that contain self-imposed constraints of the District to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The District’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.

The District has classified its fund balances within the following hierarchy:

	<u>General</u>	<u>Revolving Fund</u>	<u>School Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Prepaid expenditures.....	\$ 1,175,033	\$ -	\$ -	\$ -	\$ 1,175,033
Restricted for:					
Revolving fund.....	-	3,224,680	-	-	3,224,680
Receipts reserved for appropriation.....	-	-	-	4,075	4,075
Athletic/extracurricular revolving fund.....	-	-	-	141,394	141,394
Gifts and grants.....	-	-	-	25,264	25,264
Cafeteria.....	-	-	-	42,790	42,790
Assigned to:					
District administration.....	44,535	-	-	-	44,535
Instructional services.....	114,641	-	-	-	114,641
Other student services.....	8,958	-	-	-	8,958
Operation and maintenance.....	254,416	-	-	-	254,416
Employee benefits and other fixed charges..	33,082	-	-	-	33,082
Programs with other school districts.....	9,733	-	-	-	9,733
Capital outlay.....	88,895	-	-	-	88,895
E&D used for subsequent year budget.....	3,172,446	-	-	-	3,172,446
Unassigned.....	<u>4,636,648</u>	<u>-</u>	<u>(224,738)</u>	<u>(339,223)</u>	<u>4,072,687</u>
Total Fund Balances.....	<u>\$ 9,538,387</u>	<u>\$ 3,224,680</u>	<u>\$ (224,738)</u>	<u>\$ (125,700)</u>	<u>\$ 12,412,629</u>

NOTE 9 – RISK FINANCING

The District 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 District carries commercial insurance. The District participates in premium-based health care plans for its active employees and its retirees.

NOTE 10 – PENSION PLAN

Plan Descriptions

The District is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The District is a member of the MTRS, a cost-sharing multi-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://mtrs.state.ma.us/service/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District 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 District 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 District's portion of the collective pension expense, contributed by the Commonwealth, of \$4,475,522 is reported in the general fund as intergovernmental revenue and employee benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$54,407,188 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System 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.

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 ERRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2022 and totaled \$1,049,214 which was 27.24% 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.

Pension Liabilities

At June 30, 2023, the District reported a liability of \$10,941,293 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, that was

updated to December 31, 2022. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2022, the District’s proportion was 2.36%, previously 2.60%.

Pension Expense

For the year ended June 30, 2023, the District recognized pension expense of \$882,276. The balances of deferred outflows and inflows of resources 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.....	\$ 341	\$ (187,904)	\$ (187,563)
Difference between projected and actual earnings, net.....	1,014,557	-	1,014,557
Changes of assumptions.....	597,078	-	597,078
Changes in proportion and proportionate share of contributions...	-	(1,051,368)	(1,051,368)
Total deferred outflows/(inflows) of resources.....	\$ 1,611,976	\$ (1,239,272)	\$ 372,704

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

Year ended June 30:

2024.....	\$ (57,317)
2025.....	(48,724)
2026.....	62,661
2027.....	416,084
Total.....	\$ 372,704

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
Salary increases.....	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service.
Net investment return/discount rate.....	7.00%
Interest on employee contributions.....	3.50%

Mortality Rates:

Pre-Retirement.....	RP-2014 Employee Mortality Table projected generationally using Scale MP-2021.
Healthy Retiree.....	RP-2014 Healthy Annuitant Mortality Table projected generationally using Scale MP-2021.
Disabled Retiree.....	RP-2014 Healthy Annuitant Mortality Table set forward tow years projected generationally using Scale MP-2021.

Investment Policy

The ERRS’s policy in regard to the allocation of invested assets is established by the Pension Reserve Investment Trust (PRIT) and the Board. 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 pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and risk margin.

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

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.20%	7.10%
International developed markets equity.....	12.20%	6.90%
International emerging markets equity.....	4.70%	9.60%
Core fixed income.....	13.80%	4.70%
High-yield fixed income.....	7.00%	3.80%
Private equity.....	17.70%	10.20%
Real estate.....	11.20%	5.70%
Timberland.....	3.20%	7.00%
Hedge fund, PCS.....	9.00%	6.50%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments was -11.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% 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 rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
The District's proportionate share of the net pension liability.....	\$ 13,898,637	\$ 10,941,293	\$ 8,458,124

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Hamilton-Wenham Regional School District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance and life insurance benefits for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its other postemployment benefits (OPEB) liability. During 2023, the District pre-funded future OPEB liabilities totaling \$2,150,000 by contributing funds to the OPEB fund in excess of the pay-as-you-go required contribution. This fund is reported

within the District's Fiduciary Fund financial statements. As of June 30, 2023, the balance of this fund totaled \$2,362,568.

Employees Covered by Benefit Terms

The following table represents the Plan's membership as of July 1, 2021, the actuarial valuation date:

Active members.....	300
Inactive employees or beneficiaries currently receiving benefits.....	<u>212</u>
Total.....	<u><u>512</u></u>

Components of the Net OPEB Liability

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

Total OPEB liability.....	\$ 41,380,386
Less: OPEB plan's fiduciary net position.....	<u>(2,362,568)</u>
Net OPEB liability.....	<u><u>\$ 39,017,818</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	5.71%

Significant Actuarial Methods and Assumptions

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

Valuation date.....	July 1, 2021
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.30%, net of OPEB plan investment expense, including inflation. Previously 6.41%.
Single equivalent discount rate.....	5.52%, net of OPEB plan investment expense, including inflation. Previously 5.50%.
Municipal bond rate.....	4.13% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG). Previously 4.09%.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.

Healthcare cost trend rate.....	Medical costs increase according to the Getzen Model of long-run medical cost trends for active and Medicare supplement plans, which includes a rate of 4.50% in fiscal year 2023 and an ultimate trend rate of 3.60% in fiscal year 2061.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense was 13.75%. 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 derived using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return is added to the expected inflation rate, less interest expense to produce the long-term expected nominal rate of return of 6.30%.

Best estimates of real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	14.50%	4.10%
Domestic equity - small/mid cap.....	3.50%	4.55%
International equity - developed market..	16.00%	4.64%
International equity - emerging market...	6.00%	5.45%
Domestic fixed income.....	20.00%	1.05%
International fixed income.....	3.00%	0.96%
Alternatives.....	23.00%	5.95%
Real estate.....	14.00%	6.25%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the net OPEB liability was 5.52% as of June 30, 2023, and 5.50% 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 these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.13% as of June 30, 2023. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022.....	\$ 39,438,087	\$ 100,058	\$ 39,338,029
Changes for the year:			
Service cost.....	1,123,610	-	1,123,610
Interest.....	2,196,576	-	2,196,576
Changes in assumptions and other inputs.....	(113,061)	-	(113,061)
Benefit payments.....	(1,264,826)	(1,264,826)	-
Contributions - employer.....	-	3,414,826	(3,414,826)
Net investment income/(loss).....	-	112,510	(112,510)
Net change.....	1,942,299	2,262,510	(320,211)
Balance at June 30, 2023.....	\$ 41,380,386	\$ 2,362,568	\$ 39,017,818

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

The following table presents the net other postemployment benefits liability, calculated using the discount rate of 5.52%, as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.52%)	Current Discount Rate (5.52%)	1% Increase (6.52%)
Net OPEB liability.....	\$ 45,645,476	\$ 39,017,818	\$ 33,739,811

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

The following table presents the net other postemployment benefits liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefits liability 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.....	\$ 33,210,657	\$ 39,017,818	\$ 46,355,698

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$2,717,234. At June 30, 2023, the District reported deferred outflows and deferred 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.....	\$ -	\$ (4,290,235)	\$ (4,290,235)
Difference between projected and actual earnings, net....	-	(28,737)	(28,737)
Changes of assumptions.....	3,680,268	(8,883,308)	(5,203,040)
Total deferred outflows/(inflows) of resources.....	\$ 3,680,268	\$ (13,202,280)	\$ (9,522,012)

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

<u>Year ended June 30:</u>	
2024.....	\$ (528,686)
2025.....	(2,044,278)
2026.....	(3,053,869)
2027.....	(3,054,494)
2028.....	(835,816)
Thereafter.....	<u>(4,869)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u><u>(9,522,012)</u></u>

Changes of Assumptions – The discount rate was increased from 5.50% to 5.52%.

Changes in Plan Provisions – None.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

The general fund had various commitments for goods and services related to encumbrances totaling \$2.4 million.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 16, 2023, which is the date the financial statements were available to be issued.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

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

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			
	Amounts	Current Year		
	Carried Forward From Prior Year	Initial Budget	Original Budget	Final Budget
REVENUES:				
Member town assessments.....	\$ -	\$ 33,965,736	\$ 33,965,736	\$ 33,965,736
Intergovernmental.....	-	4,169,512	4,169,512	4,169,512
Investment income.....	-	3,070	3,070	3,070
Miscellaneous revenue.....	-	-	-	-
TOTAL REVENUES.....	-	38,138,318	38,138,318	38,138,318
EXPENDITURES:				
Current:				
District administration.....	54,381	1,462,438	1,516,819	1,509,714
Instructional.....	1,825,625	21,903,192	23,728,817	24,058,420
Other student services.....	80,726	2,749,469	2,830,195	3,077,061
Operation and maintenance.....	273,992	2,898,639	3,172,631	3,239,635
Employee benefits and other fixed charges.....	41,027	8,146,281	8,187,308	7,533,670
Programs with other school districts (tuitions).....	3,000	3,220,196	3,223,196	3,092,860
Capital outlay.....	181,245	-	181,245	375,100
Debt service:				
Debt service principal.....	-	195,000	195,000	195,000
Interest.....	-	60,090	60,090	67,095
TOTAL EXPENDITURES.....	2,459,996	40,635,305	43,095,301	43,148,555
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES.....	(2,459,996)	(2,496,987)	(4,956,983)	(5,010,237)
OTHER FINANCING SOURCES (USES):				
Use of prior year reserves.....	2,459,996	3,099,620	5,559,616	5,559,643
Transfers in.....	-	-	-	-
Transfers out.....	-	(602,633)	(602,633)	(549,406)
TOTAL OTHER FINANCING SOURCES (USES).....	2,459,996	2,496,987	4,956,983	5,010,237
NET CHANGE IN FUND BALANCE.....	-	-	-	-
FUND BALANCES AT BEGINNING OF YEAR.....	-	10,088,669	10,088,669	10,088,669
FUND BALANCES AT END OF YEAR.....	\$ -	\$ 10,088,669	\$ 10,088,669	\$ 10,088,669

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	33,961,998	\$ -	\$ (3,738)
	4,458,313	-	288,801
	182,010	-	178,940
	56,839	-	56,839
	<u>38,659,160</u>	<u>-</u>	<u>520,842</u>
	1,309,973	46,073	153,668
	20,868,848	1,894,190	1,295,382
	2,751,169	71,073	254,819
	2,800,607	258,912	180,116
	7,212,071	67,184	254,415
	2,625,066	9,733	458,061
	286,197	88,895	8
	195,000	-	-
	67,095	-	-
	<u>38,116,026</u>	<u>2,436,060</u>	<u>2,596,469</u>
	<u>543,134</u>	<u>(2,436,060)</u>	<u>3,117,311</u>
	-	-	(5,559,643)
	162,757	-	162,757
	<u>(549,406)</u>	<u>-</u>	<u>-</u>
	<u>(386,649)</u>	<u>-</u>	<u>(5,396,886)</u>
	156,485	(2,436,060)	(2,279,575)
	<u>10,088,669</u>	<u>-</u>	<u>-</u>
\$	<u><u>10,245,154</u></u>	<u><u>(2,436,060)</u></u>	<u><u>(2,279,575)</u></u>

Pension Plan Schedules

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

The Schedule of District's Contributions presents multi-year trend information on the District'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 District 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 DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	2.36%	\$ 10,941,293	\$ 3,776,507	289.72%	57.57%
December 31, 2021.....	2.60%	9,017,212	3,772,971	238.99%	67.01%
December 31, 2020.....	2.72%	10,783,804	4,105,325	262.68%	59.73%
December 31, 2019.....	2.72%	11,456,239	3,953,177	289.80%	55.46%
December 31, 2018.....	2.72%	11,482,455	3,858,732	297.57%	51.89%
December 31, 2017.....	2.78%	10,477,680	3,709,896	282.43%	55.40%
December 31, 2016.....	2.84%	10,943,949	3,971,144	275.59%	51.12%
December 31, 2015.....	2.84%	10,306,211	3,656,348	281.87%	51.01%
December 31, 2014.....	2.75%	9,315,057	3,502,758	265.93%	52.27%

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 DISTRICT'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2023.....	\$ 1,049,214	\$ (1,049,214)	\$ -	\$ 3,852,037	27.24%
June 30, 2022.....	1,076,094	(1,076,094)	-	3,848,430	27.96%
June 30, 2021.....	1,048,965	(1,048,965)	-	4,187,432	25.05%
June 30, 2020.....	976,599	(976,599)	-	4,032,241	24.22%
June 30, 2019.....	908,291	(908,291)	-	3,935,907	23.08%
June 30, 2018.....	866,990	(866,990)	-	3,784,094	22.91%
June 30, 2017.....	823,009	(823,009)	-	4,050,567	20.32%
June 30, 2016.....	779,283	(779,283)	-	3,729,475	20.90%
June 30, 2015.....	704,356	(704,356)	-	3,572,813	19.71%

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.

Fiscal 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.....	\$ 54,407,188	\$ 4,475,522	57.75%
2022.....	48,097,369	3,859,614	62.03%
2021.....	63,796,379	7,879,767	50.67%
2020.....	58,249,212	7,063,728	53.95%
2019.....	53,814,444	5,453,315	54.84%
2018.....	52,560,042	5,485,845	54.25%
2017.....	51,438,198	5,247,033	52.73%
2016.....	47,483,472	3,851,332	55.38%
2015.....	37,616,788	2,613,419	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the District'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 District's Contributions presents multi-year trend information on the District'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
DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Total OPEB Liability						
Service cost.....	\$ 1,375,144	\$ 1,565,986	\$ 1,950,280	\$ 2,044,674	\$ 2,504,319	\$ 1,123,610
Interest.....	936,777	1,172,841	1,308,010	1,376,416	1,299,679	2,196,576
Differences between expected and actual experience.....	5,568,629	-	(727,454)	-	(6,086,077)	-
Changes of assumptions.....	-	-	8,305,424	5,047,957	(12,904,567)	(113,061)
Benefit payments.....	(748,115)	(868,691)	(1,080,002)	(1,170,536)	(1,261,903)	(1,264,826)
Net change in total OPEB liability.....	7,132,435	1,870,136	9,756,258	7,298,511	(16,448,549)	1,942,299
Total OPEB liability - beginning.....	29,829,296	36,961,731	38,831,867	48,588,125	55,886,636	39,438,087
Total OPEB liability - ending (a).....	\$ 36,961,731	\$ 38,831,867	\$ 48,588,125	\$ 55,886,636	\$ 39,438,087	\$ 41,380,386
Plan fiduciary net position						
Employer contributions.....	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 2,150,000
Employer contributions for OPEB payments.....	-	-	-	-	1,261,903	1,264,826
Net investment income.....	-	-	-	-	58	112,510
Benefit payments.....	-	-	-	-	(1,261,903)	(1,264,826)
Net change in plan fiduciary net position.....	-	-	-	-	100,058	2,262,510
Plan fiduciary net position - beginning of year.....	-	-	-	-	-	100,058
Plan fiduciary net position - end of year (b).....	\$ -	\$ -	\$ -	\$ -	\$ 100,058	\$ 2,362,568
Net OPEB liability - ending (a)-(b).....	\$ 36,961,731	\$ 38,831,867	\$ 48,588,125	\$ 55,886,636	\$ 39,338,029	\$ 39,017,818
Plan fiduciary net position as a percentage of the total OPEB liability.....	N/A	N/A	N/A	N/A	0.25%	5.71%
Covered-employee payroll.....	\$ 18,795,232	\$ 19,359,089	\$ 20,667,883	\$ 21,287,919	\$ 20,913,218	\$ 21,540,615
Net OPEB liability as a percentage of covered-employee payroll.....	196.65%	200.59%	235.09%	262.53%	188.10%	181.14%

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 DISTRICT'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 2,930,339	\$ (3,414,826)	\$ (484,487)	21,540,615	15.85%
June 30, 2022.....	4,321,491	(1,361,903)	2,959,588	20,913,218	6.51%
June 30, 2021.....	3,716,906	(1,170,536)	2,546,370	21,287,919	5.50%
June 30, 2020.....	4,285,556	(1,080,002)	3,205,554	20,667,883	5.23%
June 30, 2019.....	3,349,372	(868,691)	2,480,681	19,359,089	4.49%
June 30, 2018.....	3,158,530	(748,115)	2,410,415	18,795,232	3.98%

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.....	13.75%
June 30, 2022.....	0.12%
June 30, 2021.....	N/A
June 30, 2020.....	N/A
June 30, 2019.....	N/A
June 30, 2018.....	N/A

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

The District adopts a balanced budget that is approved by the Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources, and recommendations of expenditures and other financing uses. The Committee, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases in the budget subsequent to the approval of the annual budget require majority Committee approval.

The majority of the District's appropriations are non-continuing which lapse at the end of the year.

The District adopts an annual budget for the general fund in conformity with the guidelines described above. The initial 2023 approved budget for the general fund authorized \$41.2 million in appropriations. The District did not approve supplemental appropriations during the current year.

The District's accounting office has the responsibility to ensure that budgetary control is maintained in accordance with the legal level of spending approved by the member communities and as amended by the School Committee. Budgetary control is exercised through the District's 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.....	\$	156,485
<u>Basis of accounting differences:</u>		
Net change in recording prepaid tuitions.....		1,175,033
Net change in recording accrued payroll.....		25,022
Recognition of revenue for on-behalf payments.....		4,475,522
Recognition of expenditures for on-behalf payments.....		<u>(4,475,522)</u>
Net change in fund balance - GAAP basis.....	\$	<u>1,356,540</u>

NOTE B – PENSION PLANSchedule of the District's Proportionate Share of the Net Pension Liability

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

Schedule of District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The District's 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 District's appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual District contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

Schedule of the Special Funding Amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the District 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 District; the portion of the collective pension expense as both revenue and pension expense recognized by the District; 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 District administers a single-employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"). The plan provides lifetime healthcare insurance and life insurance benefits for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit Plan

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the District'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 District's Contributions

The Schedule of the District's Contributions includes the District'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 District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarial contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Individual Entry Age Normal.
Investment rate of return.....	6.30%, net of OPEB plan investment expense, including inflation. Previously 6.41%.
Single equivalent discount rate.....	5.52%, net of OPEB plan investment expense, including inflation. Previously 5.50%.
Municipal bond rate.....	4.13% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index-SAPIHG). Previously 4.09%.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods.
Salary increases.....	3.00% annually as of June 30, 2023 and for future periods.
Healthcare cost trend rate.....	Medical costs increase according to the Getzen Model of long-run medical cost trends for active and Medicare supplement plans, which includes a rate of 4.50% in fiscal year 2023 and an ultimate trend rate of 3.60% in fiscal year 2061.
Pre-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Schedule of Investment Returns

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

Changes of Assumptions – The discount rate has been increased from 5.50% to 5.52%.

Changes in Provisions – None.