

**TOWN OF SALEM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 10

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements		
A	Statement of Net Position	11
B	Statement of Activities	12
Fund Financial Statements		
<i>Governmental Funds</i>		
C-1	Balance Sheet	13
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	14
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	16
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	17
<i>Proprietary Funds</i>		
E-1	Statement of Net Position	18
E-2	Statement of Revenues, Expenses, and Changes in Net Position	19
E-3	Statement of Cash Flows	20
<i>Fiduciary Funds</i>		
F-1	Statement of Fiduciary Net Position.....	21
F-2	Statement of Changes in Fiduciary Net Position	22
NOTES TO THE BASIC FINANCIAL STATEMENTS		23 - 54

REQUIRED SUPPLEMENTARY INFORMATION

G	Schedule of the Town's Proportionate Share of Net Pension Liability	55
H	Schedule of Town Contributions – Pensions	56

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -
PENSION LIABILITY**

I	Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	58
J	Schedule of Town Contributions – Other Postemployment Benefits	59
K	Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios	60

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

61 - 63

TOWN OF SALEM, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

TABLE OF CONTENTS

		<u>PAGES</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	64
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	65 - 66
3	Schedule of Changes in Unassigned Fund Balance.....	67
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet	68
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	69
<i>Custodial Funds</i>		
6	Combining Schedule of Fiduciary Net Position	70
7	Combining Schedule of Changes in Fiduciary Net Position	71
SINGLE AUDIT ACT SCHEDULES AND INDEPENDENT AUDITOR'S REPORTS		
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS		
72		
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE		
73 - 74		
I	Schedule of Findings and Questioned Costs.....	75
II	Schedule of Expenditures of Federal Awards.....	76
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		
77		



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen and Town Manager
Town of Salem
Salem, New Hampshire

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Salem as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Salem, as of December 31, 2019, the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2019 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Town of Salem
Independent Auditor's Report

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards* - In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2020 on our consideration of the Town of Salem's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Salem's internal control over financial reporting and compliance.

August 3, 2020



PLODZIK & SANDERSON
Professional Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Salem, New Hampshire (the Town) annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the calendar year ending December 31, 2019. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$46,710,521 (net position) for the calendar year reported. This is a change of \$9,522,111 in comparison to the prior year, as restated. Of that amount at December 31, 2019, \$(60,668,552) is considered unrestricted (unrestricted net position), a change of \$2,804,198 in comparison to the prior year. The two main factors for this change include the change for the other postemployment benefits (OPEB) liability and the net pension liability. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the Town's governmental activities was \$(58,086,579), a change of \$7,116,934 in comparison to the prior year, as restated. The unrestricted net position of business-type activities was \$(2,581,973), a change of \$(4,312,736) in comparison to the prior year.
- The total cost of all town services for calendar year 2019 was \$56,117,693, as compared to \$61,692,442 in the prior year, a decrease of \$(5,574,749) or (9) %. Of the total cost of services, \$48,884,955 was spent on governmental activities (compared to \$55,951,250 in the prior year, as restated) and an additional \$7,232,738 was spent on business type activities consisting of the water and sewer funds (compared to \$5,741,192 in the prior year, as restated).
- At December 31, 2019, the Town's governmental funds reported a combined ending balance of \$24,083,405, a change of \$2,565,305 in comparison to prior year, as restated.
- At the end of calendar year 2019, unassigned fund balance for the general fund was \$11,928,882, a change of \$497,573 in comparison to the prior year.
- Total long-term debt (bonds and notes payable) at the close of the fiscal year 2019 was \$8,382,335, a change of \$2,651,974 in comparison to the prior year. Two bonds were issued in fiscal year 2019.
- The Town implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during fiscal year 2019. The beginning net position for governmental activities was restated by \$2,922,233.
- The Town implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during fiscal year 2019. The beginning net position for Fiduciary Funds was restated by \$962,568. This Statement has eliminated "Agency Funds" and added a new classification called "Custodial Funds". Most funds that were classified as agency funds will be reported as a custodial fund. For more information on this Statement please refer to Note 2-D in the financial statements.
- Overall, the Town continues to maintain a strong financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the basic financial statements, and (4) required supplementary information. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Salem, New Hampshire's finances in a manner similar to a private sector business. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of the government-wide statements is the *Statement of Net Position* which presents information that includes all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Town infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current calendar year. All current year revenues and expenditures are included regardless of the timing of cash flows. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

The government-wide financial statements have separate columns for government activities and business-type activities.

Governmental activities include general administration, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and conservation. Property taxes, motor vehicle permit fees, federal, state, and other local revenues finance these activities.

Business-type activities include water and sewer operations. User fees charged to the customer receiving these services primarily finance these activities.

The government-wide financial statements are presented on pages 11-12 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are reported in the fund financial statements and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

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. These two perspectives may provide insight into the long-term impact of short-term financing decisions. The financial statements contain a reconciliation between the government-wide and fund financial statements to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 13-16 of this report.

Individual fund information for nonmajor governmental funds is found in the combining statements in a later section of the annual financial report.

The Town's *proprietary funds* are the sewer fund and water fund. Proprietary funds focus on business-type activities and services that mirror similar activities in the private sector. The revenues from proprietary funds come primarily from user fees. Proprietary funds provide the same information as the government-wide business type activities, only in more detail.

The Town's *fiduciary funds* are private purpose trust funds and custodial funds. Fiduciary funds are used for those resources that are held for third parties and are not available for governmental use. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town implemented Governmental Accounting Standards Board Statement No. 84 *Fiduciary Activities* this year. For more information pertaining to this change please refer to Note 2-D on page 33.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 23 of this report.

Required Supplementary Information

The following required supplementary information is presented:

- Schedule of the Town's Proportionate Share of Net Pension Liability
- Schedule of Town Contributions – Pensions
- Note to the required supplementary information – Pension Liability
- Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability
- Schedule of Town Contributions – Other Postemployment Benefits
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
- Notes to the required supplementary information – Other Postemployment Benefits Liability

The Required Supplementary Information is presented starting on page 55 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Town's budget presentations for the general fund. Also, combining and individual schedules for nonmajor funds are presented in this section of this report beginning on page 64.

Government-Wide Financial Analysis

	Summary of Net Position					
	Governmental activities		Business-type activities		Total	
	2019	2018 (restated)	2019	2018 (restated)	2019	2018 (restated)
Assets and deferred outflows:						
Current and other assets	\$ 27,389,862	\$ 50,999,458	\$ 8,213,106	\$ 7,339,162	\$ 35,602,968	\$ 58,338,620
Capital assets	84,897,540	84,330,765	32,522,239	23,149,468	117,419,779	107,480,233
Deferred outflows	11,176,258	6,594,297	138,718	129,487	11,314,976	6,723,784
Total assets and deferred outflows	123,463,660	141,924,520	40,874,063	30,618,117	164,337,723	172,542,637
Liabilities and deferred inflows:						
Current liabilities	4,937,961	30,696,390	10,395,636	4,887,809	15,333,597	35,584,199
Noncurrent liabilities	92,616,719	89,096,972	4,740,465	4,730,109	97,357,184	93,827,081
Deferred inflows	4,874,732	5,867,482	61,689	75,465	4,936,421	5,942,947
Total liabilities and deferred inflows	102,429,412	125,660,844	15,197,790	9,693,383	117,627,202	135,354,227
Net position:						
Net investment in capital assets	78,291,960	80,239,975	28,258,246	19,193,971	106,550,206	99,433,946
Restricted	828,867	1,227,214	-	-	828,867	1,227,214
Unrestricted	(58,086,579)	(65,203,513)	(2,581,973)	1,730,763	(60,668,552)	(63,472,750)
Total net position	\$ 21,034,248	\$ 16,263,676	\$ 25,676,273	\$ 20,924,734	\$ 46,710,521	\$ 37,188,410

The largest portion of the Town's total net position (228% of total net position) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (2% of total net position) represents resources that are subject to restrictions on how they may be used placed by parties external to the Town. Finally, unrestricted net position of \$(60,668,552) ((130% of total net position) may be used to meet the government's ongoing obligations to citizens and creditors. The negative net position is largely due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits*. GASB Statement No. 68 requires the Town to report its proportionate share of the New Hampshire Retirement System's net pension liability based upon its plan contributions for the year. As of December 31, 2019 the Town's share of this liability was \$47.2 million. The New Hampshire Retirement System has a statutory funding schedule in which the goal is to reach 100% plan funding by June 30, 2039. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits* details the recognition and disclosure requirements for state and local employers for postemployment benefits other than pensions. Additionally, the Town had an OPEB liability of \$32.4 million as of December 31, 2019. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future until a mechanism to fund its OPEB obligation is in place. It is important to note that although total unrestricted net position is \$(60,668,552) this includes the unrestricted net position of the Town's business-type activities of \$(2,581,973), which may not be used to fund governmental activities.

At the end of the calendar year, the Town reported increases in net position for the government-wide activities, business-type activities, and total net position. The Town's total net position changed by 9,522,111 during the current calendar year. Governmental activities net position increased by \$4,770,572 or 29% during calendar year 2019. Major components of the increases were 1) the Town's share of the net pension liability and 2) the Town's OPEB liability. Business-type activities

increased by \$4,751,539 or 23% during the calendar year. The majority of this change was due to property donated to the Town by the State of New Hampshire as part of the Southern New Hampshire Regional Water Interconnection Project.

The following condensed financial information was derived from the government-wide statement of net position. It reflects how the Town's net position has changed during calendar year 2019.

The following table provides a summary of the Town's changes in net position:

	Summary of Changes in Net Position						Total	
	Governmental activities		Business-type activities					
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)		
Revenues:								
Program:								
Charges for services	\$ 4,662,583	\$ 4,879,968	\$ 5,972,816	\$ 5,895,862	\$ 10,635,399	\$ 10,775,830		
Operating grants and contributions	2,668,013	1,630,009	2,190,324	1,297,101	4,858,337	2,927,110		
Capital grants and contributions	1,099,607	1,342,340	-	-	1,099,607	1,342,340		
General:								
Property taxes	32,088,168	30,118,187	-	-	32,088,168	30,118,187		
Motor vehicle permits	7,241,118	6,943,221	-	-	7,241,118	6,943,221		
Other	5,380,212	6,827,943	174,387	160,626	5,554,599	6,988,569		
Total revenues	53,139,701	51,741,668	8,337,527	7,353,589	61,477,228	59,095,257		
Program expenses:								
General government	839,103	8,594,407	-	-	839,103	8,594,407		
Public safety	29,596,687	30,225,383	-	-	29,596,687	30,225,383		
Highways and streets	14,359,436	13,206,572	-	-	14,359,436	13,206,572		
Sanitation	1,023,893	1,187,621	3,435,437	2,585,790	4,459,330	3,773,411		
Water distribution and treatment	-	-	3,797,301	3,042,492	3,797,301	3,042,492		
Health	108,645	110,070	-	-	108,645	110,070		
Welfare	255,169	267,850	-	-	255,169	267,850		
Culture and recreation/conservation	2,490,768	2,402,690	-	-	2,490,768	2,402,690		
Interest	211,254	69,567	-	-	211,254	69,567		
Total expenses	48,884,955	56,064,160	7,232,738	5,628,282	56,117,693	61,692,442		
Change in net position before transfers	4,254,746	(4,322,492)	1,104,789	1,725,307	5,359,535	(2,597,185)		
Property donation	-	-	4,162,576	-	4,162,576	-		
Transfers	515,826	425,263	(515,826)	(425,263)	-	-		
Total change in net position	4,770,572	(3,897,229)	4,751,539	1,300,044	9,522,111	(2,597,185)		
Net position - beginning of year (as restated) (see note 20)	16,263,676	20,160,905	20,924,734	19,624,690	37,188,410	39,785,595		
Net position - end of year	\$ 21,034,248	\$ 16,263,676	\$ 25,676,273	\$ 20,924,734	\$ 46,710,521	\$ 37,188,410		

Governmental Funds Financial Analysis

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. 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 fiscal year.

At the end of the calendar year, the Town's governmental funds reported a combined ending fund balance of \$24,083,405, an increase of \$2,565,305 or 12% in comparison with the prior year. This increase was primarily due general fund revenues exceeding general fund expenditures.

Governmental Fund – General Fund

The general fund is the Town's chief operating fund and the largest source of day-to-day service delivery. At the end of the calendar year, unassigned fund balance of the General Fund was \$11,928,882, a change of \$497,573 from the prior year. Total Unassigned fund balance is available for spending at the government's discretion. 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 general fund expenditures.

General Fund	12/31/2019	12/31/2018	Change	% of Total General Fund Expenditures
Unassigned fund balance	11,928,882	11,431,309	497,573	25%
Total fund balance	17,550,487	15,514,194	2,036,293	37%

The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period; continued appropriations for capital outlay and improvement purposes; non-expendable permanent fund balances; and other purposes restricted by statute. The general fund's total fund balance was \$17,550,487.

Budgetary Highlights

The General Fund – The operating budget was not amended in total appropriations during calendar year 2019, however modifications were made to the allocation of appropriations. The 2019 budget was set to utilize \$1,841,155 of unassigned fund balance to offset authorized expenditures. An additional \$795,000 was voted from unassigned fund balance of which \$710,000 to be used to replace the HVAC system at the Salem District Court House and \$85,000 to be used for a public safety radio tower. There was \$15,919 of amortized bond premium that was applied as use of fund balance. Actual expenditures and transfers out were \$1,429,373 lower than budgeted expenditures. Actual revenues including transfers and bond proceeds in were \$2,304,212 higher than budgeted amounts. All of these resulted in a net positive variance to the budget of \$3,733,585.

All functional areas of revenues exceeded the budgeted amount. Licenses and permits exceeded their budget by \$1,308,289. This was largely due to greater motor vehicle and building permit fees than what was anticipated. There was (and continues to be) a considerable amount of development which has translated into more residents/vehicles.

There were a few functional areas in which the actual expenditures exceeded the budgeted amounts: highways and streets, sanitation, and health. Highways and streets exceeded their budget due to snow and ice removal. Sanitation expenditures was slightly higher than the budgeted amount due to more tonnage of waste and hazardous waste went to the transfer station. Overall, the Town expended 98.1% of the 2019 appropriated budget which is the same as compared to 98.1% in 2018.

Capital Assets and Debt Administration

Capital Assets – Governmental Activities & Business Type Activities

The Town's investment in capital assets, net of accumulated depreciation, for governmental activities as well as business type activities as of December 31, 2019, was \$117,419,779, a change of \$9,939,546 from the prior year. This increase is primarily due to a water and sewer main replacement project and the purchase of drinking water rights as part of the Southern New Hampshire Regional Water Interconnection Project. The investment in capital assets includes land, intangible assets, buildings, improvements, infrastructure, equipment and vehicles.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 17,219,616	\$ 14,451,945	\$ 350,000	\$ 350,000	\$ 17,569,616	\$ 14,801,945
Intangible assets	-	-	1,071,000	-	1,071,000	-
Construction in progress	1,544,288	319,095	12,255,532	3,281,121	13,799,820	3,600,216
Buildings and building improvements	2,869,016	3,017,587	1,533,603	1,584,488	4,402,619	4,602,075
Machinery, equipment, and furnishings	5,012,308	5,374,462	2,371,944	2,502,992	7,384,252	7,877,454
Infrastructure	58,252,312	61,167,676	14,940,160	15,430,867	73,192,472	76,598,543
Total	\$ 84,897,540	\$ 84,330,765	\$ 32,522,239	\$ 23,149,468	\$ 117,419,779	\$ 107,480,233

At December 31, 2019, the depreciable capital assets for the Town were 68% depreciated. This compares to 66% as of December 31, 2018. This comparison indicates that the Town is replacing depreciable capital assets at a slightly slower rate than they are depreciating.

Major capital asset events during the current year included the following:

Capital asset additions

Drinking Water Rights (300,000 gallons per day) \$ 1,071,000

Land

7 parcels of land in Depot Area \$ 2,549,781

Land improvements

Bike Ped Corridor Phase II \$ 320,825
 911 Memorial 109,000

Infrastructure

Road Reconstruction - Town Farm Rd \$ 1,487,233
 Road Reconstruction - Northeastern Blvd 286,723
 Mill and overlay - Royal Circle 126,226
 Mill and overlay - Liberty St 102,128

Construction in Process

SNHRW Water Main and PRV Stations \$ 4,162,576
 South Broadway sewer pipe replacement 3,198,340
 South Broadway water pipe replacement 1,613,495
 Courthouse HVAC replacement 755,597
 Bluff St. Extension Bridge 694,381

Additional information of the Town's capital assets can be found in Note 8 to the financial statements.

Long-term Debt

At December 31, 2018 the Town had total bonds and notes outstanding of \$8,382,335. Of this amount, \$4,319,000 was governmental activities debt and \$4,063,335 was business-type debt. During fiscal year 2019 the Town issued two bonds. The first bond was in the amount of \$2,830,000 for land acquisition in the Depot area of town. The second bond was in the amount of \$1,000,000 for drinking water capacity rights of 300,000 gallons of water per day as part of the Southern New Hampshire Regional Water Interconnection Project. A summary of outstanding debt as of December 31, 2019 was as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bridge construction	\$ 1,289,000	\$ 1,915,000	\$ -	\$ -	\$ 1,289,000	\$ 1,915,000
Land acquisition	2,830,000	-	-	-	2,830,000	-
Drinking water capacity rights	200,000	-	\$ 800,000	-	1,000,000	-
Water main improvements	-	-	1,511,000	1,810,000	1,511,000	1,810,000
Water system improvements	-	-	1,752,335	2,005,361	1,752,335	2,005,361
Total	\$ 4,319,000	\$ 1,915,000	\$ 4,063,335	\$ 3,815,361	\$ 8,382,335	\$ 5,730,361

Total long-term bonds and notes outstanding at December 31, 2018 increased by \$2,651,974 or 46% from December 31, 2018 due to bond and note payments and two bonds issued. The Town's bonds are rated AA+ by Standard & Poor. Additional information on the Town's long-term debt can be found in Note 14 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Town's Finance Director at 33 Geremonty Drive, Salem, NH 03079.

BASIC FINANCIAL STATEMENTS

EXHIBITA
TOWN OF SALEM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,936,150	\$ 6,056,970	\$ 27,993,120
Investments	677,240	-	677,240
Taxes receivables (net)	2,856,722	-	2,856,722
Account receivables (net)	1,387,956	542,972	1,930,928
Intergovernmental receivable	159,253	1,583,149	1,742,402
Prepaid items	372,541	30,015	402,556
Capital assets:			
Land and construction in progress	14,900,585	13,676,532	28,577,117
Other capital assets, net of depreciation	69,996,955	18,845,707	88,842,662
Total assets	<u>112,287,402</u>	<u>40,735,345</u>	<u>153,022,747</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	4,237,697	78,966	4,316,663
Amounts related to other postemployment benefits	6,938,561	59,752	6,998,313
Total deferred outflows of resources	<u>11,176,258</u>	<u>138,718</u>	<u>11,314,976</u>
LIABILITIES			
Accounts payable	1,726,632	689,181	2,415,813
Accrued salaries and benefits	748,256	26,671	774,927
Retainage payable	310,454	579,079	889,533
Accrued interest payable	119,924	67,073	186,997
Intergovernmental payable	29,215	8,289,874	8,319,089
Long-term liabilities:			
Due within one year	2,003,480	743,758	2,747,238
Due in more than one year	92,616,719	4,740,465	97,357,184
Total liabilities	<u>97,554,680</u>	<u>15,136,101</u>	<u>112,690,781</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	44,992	-	44,992
Deferred assessments	-	2,300	2,300
Amounts related to pensions	1,869,143	34,830	1,903,973
Amounts related to other postemployment benefits	2,960,597	24,559	2,985,156
Total deferred inflows of resources	<u>4,874,732</u>	<u>61,689</u>	<u>4,936,421</u>
NET POSITION			
Net investment in capital assets	78,291,960	28,258,246	106,550,206
Restricted	828,867	-	828,867
Unrestricted	(58,086,579)	(2,581,973)	(60,668,552)
Total net position	<u>\$ 21,034,248</u>	<u>\$ 25,676,273</u>	<u>\$ 46,710,521</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF SALEM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2019

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses					
Governmental activities:						
General government	\$ 839,103	\$ 513,712	\$ -	\$ (325,391)	\$ -	\$ (325,391)
Public safety	29,596,687	3,600,652	101,121	(25,894,914)	-	(25,894,914)
Highways and streets	14,359,436	-	1,637,344	8,609	(12,713,483)	- (12,713,483)
Sanitation	1,023,893	408,008	-	-	(615,885)	- (615,885)
Health	108,645	-	-	-	(108,645)	- (108,645)
Welfare	255,169	11,624	-	-	(243,545)	- (243,545)
Culture and recreation	2,484,370	128,587	929,548	-	(1,426,235)	- (1,426,235)
Conservation	6,398	-	-	-	(6,398)	- (6,398)
Interest on long-term debt	211,254	-	-	-	(211,254)	- (211,254)
Capital outlay	-	-	-	1,090,998	1,090,998	- 1,090,998
Total governmental activities	48,884,955	4,662,583	2,668,013	1,099,607	(40,454,752)	- (40,454,752)
Business-type activities:						
Sewer	3,435,437	2,828,021	751,378	-	-	143,962 143,962
Water	3,797,301	3,144,795	1,438,946	-	-	786,440 786,440
Total business-type activities	7,232,738	5,972,816	2,190,324	-	-	930,402 930,402
Total	\$56,117,693	\$10,635,399	\$4,858,337	\$ 1,099,607	(40,454,752)	930,402 (39,524,350)
General revenues:						
Taxes:						
Property				32,088,168	-	32,088,168
Other				232,527	-	232,527
Motor vehicle permit fees				7,241,118	-	7,241,118
Licenses and other fees				1,749,861	-	1,749,861
Grants and contributions not restricted to specific programs				2,196,687	-	2,196,687
Unrestricted investment earnings				233,113	25,610	258,723
Miscellaneous				964,874	148,777	1,113,651
Total general revenues				44,706,348	174,387	44,880,735
Contributions to permanent funds				3,150	-	3,150
Property donation				-	4,162,576	4,162,576
Transfers				515,826	(515,826)	-
Total general revenues, contributions, and transfers				45,225,324	3,821,137	49,046,461
Change in net position				4,770,572	4,751,539	9,522,111
Net position, beginning, as restated (see Note 20)				16,263,676	20,924,734	37,188,410
Net position, ending				\$21,034,248	\$25,676,273	\$46,710,521

EXHIBIT C-1
TOWN OF SALEM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2019

	General	Capital Projects	Impact Fees	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 15,563,557	\$ 801,011	\$ 3,046,292	\$ 2,525,290	\$ 21,936,150
Investments	122,124	-	-	555,116	677,240
Receivables, net of allowance for uncollectible:					
Taxes	2,945,074	-	-	-	2,945,074
Accounts	930,894	-	-	457,062	1,387,956
Intergovernmental receivable	135,587	13,666	-	10,000	159,253
Interfund receivable	50,630	606,777	-	-	657,407
Voluntary tax liens	142,708	-	-	-	142,708
Voluntary tax liens reserved until collected	(142,708)	-	-	-	(142,708)
Prepaid items	372,541	-	-	-	372,541
Total assets	<u>\$ 20,120,407</u>	<u>\$ 1,421,454</u>	<u>\$ 3,046,292</u>	<u>\$ 3,547,468</u>	<u>\$ 28,135,621</u>
LIABILITIES					
Accounts payable	\$ 596,332	\$ 1,113,880	\$ -	\$ 16,420	\$ 1,726,632
Accrued salaries and benefits	719,968	-	-	28,288	748,256
Retainage payable	37,376	273,078	-	-	310,454
Intergovernmental payable	29,215	-	-	-	29,215
Interfund payable	606,777	-	39,650	10,980	657,407
Total liabilities	<u>1,989,668</u>	<u>1,386,958</u>	<u>39,650</u>	<u>55,688</u>	<u>3,471,964</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	507,897	-	-	-	507,897
Bond premiums	72,355	-	-	-	72,355
Total deferred inflows of resources	<u>580,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,252</u>
FUND BALANCES (DEFICIT)					
Nonspendable	372,541	-	-	572,217	944,758
Restricted	103,715	34,496	-	222,154	360,365
Committed	3,718,506	-	3,006,642	2,697,893	9,423,041
Assigned	1,426,843	-	-	-	1,426,843
Unassigned (deficit)	11,928,882	-	-	(484)	11,928,398
Total fund balances	<u>17,550,487</u>	<u>34,496</u>	<u>3,006,642</u>	<u>3,491,780</u>	<u>24,083,405</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,120,407</u>	<u>\$ 1,421,454</u>	<u>\$ 3,046,292</u>	<u>\$ 3,547,468</u>	<u>\$ 28,135,621</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF SALEM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1) \$ 24,083,405

Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.

Cost	\$ 253,881,712
Less accumulated depreciation	<u>(168,984,172)</u>
	84,897,540

Pension and other postemployment benefit (OPEB) related deferred outflows of current year, and therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources related to pensions	\$ 4,237,697
Deferred inflows of resources related to pensions	(1,869,143)
Deferred outflows of resources related to OPEB	6,938,561
Deferred inflows of resources related to OPEB	<u>(2,960,597)</u>
	6,346,518

Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.

Receivables	\$ (657,407)
Payables	<u>657,407</u>
	—

Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds. 462,905

Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis. (88,352)

Interest on long-term debt is not accrued in governmental funds. (119,924)

Accrued interest payable

Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.

Bonds	\$ 4,319,000
Unamortized bond premium	369,937
Capital leases	1,844,288
Compensated absences	3,735,654
Accrued landfill postclosure care costs	486,000
Net pension liability	46,323,737
Other postemployment benefits	<u>37,469,228</u>
	(94,547,844)

Net position of governmental activities (Exhibit A)

\$ 21,034,248

EXHIBIT C-3
TOWN OF SALEM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	General	Capital Projects	Impact Fees	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 32,211,091	\$ -	\$ -	\$ 141,000	\$ 32,352,091
Licenses and permits	8,990,979	- -	- -	- -	8,990,979
Intergovernmental revenues	2,863,403	913,732	- -	198,900	3,976,035
Charges for services	2,665,818	- -	- -	1,812,616	4,478,434
Miscellaneous	1,272,255	- -	1,094,998	1,006,030	3,373,283
Total revenues	<u>48,003,546</u>	<u>913,732</u>	<u>1,094,998</u>	<u>3,158,546</u>	<u>53,170,822</u>
EXPENDITURES					
Current:					
General government	6,850,450	- -	- -	550,677	7,401,127
Public safety	25,732,349	- -	7,501	1,975,749	27,715,599
Highways and streets	4,124,155	4,585,997	- -	- -	8,710,152
Sanitation	1,082,644	- -	- -	- -	1,082,644
Health	108,645	- -	- -	- -	108,645
Welfare	253,433	- -	- -	- -	253,433
Culture and recreation	2,159,719	- -	- -	226,363	2,386,082
Conservation	- -	- -	- -	6,398	6,398
Debt service:					
Principal	626,000	- -	- -	- -	626,000
Interest	122,347	- -	- -	- -	122,347
Capital outlay	2,575,251	4,574,440	- -	48,375	7,198,066
Total expenditures	<u>43,634,993</u>	<u>9,160,437</u>	<u>7,501</u>	<u>2,807,562</u>	<u>55,610,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,368,553</u>	<u>(8,246,705)</u>	<u>1,087,497</u>	<u>350,984</u>	<u>(2,439,671)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	495,167	4,470,332	38,038	12,740	5,016,277
Transfers out	(4,137,492)	(38,038)	(305,890)	(19,031)	(4,500,451)
Bond proceeds	200,000	2,830,000	- -	- -	3,030,000
Premium on bond issued	20,852	349,085	- -	- -	369,937
Capital leases	1,089,213	- -	- -	- -	1,089,213
Total other financing sources (uses)	<u>(2,332,260)</u>	<u>7,611,379</u>	<u>(267,852)</u>	<u>(6,291)</u>	<u>5,004,976</u>
Net change in fund balances	2,036,293	(635,326)	819,645	344,693	2,565,305
Fund balances, beginning, as restated (see Note 20)	<u>15,514,194</u>	<u>669,822</u>	<u>2,186,997</u>	<u>3,147,087</u>	<u>21,518,100</u>
Fund balances, ending	<u>\$ 17,550,487</u>	<u>\$ 34,496</u>	<u>\$ 3,006,642</u>	<u>\$ 3,491,780</u>	<u>\$ 24,083,405</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF SALEM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2019

Net change in fund balances of governmental funds (Exhibit C-3)	\$ 2,565,305
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:	
Capitalized capital outlay	\$ 8,979,853
Depreciation expense	<u>(8,413,078)</u>
	566,775
Transfers in and out between governmental funds are eliminated on the Statement of Activities.	
Transfers in	\$ (4,500,451)
Transfers out	<u>4,500,451</u>
	(31,121)
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.	
Change in deferred tax revenue	(31,121)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Proceeds of debt	\$ (3,030,000)
Inception of capital leases	(1,089,213)
Bond premium on new issuance	(369,937)
Repayment of bond principal	626,000
Repayment of capital leases	<u>1,332,441</u>
	(2,530,709)
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 governmental funds.	
Increase in accrued interest expense	\$ (88,907)
Decrease in prepaid items	8,331
Decrease in compensated absences	126,172
Decrease in accrued landfill postclosure care costs	6,000
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(1,747,459)
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>5,896,185</u>
	4,200,322
Changes in net position of governmental activities (Exhibit B)	<u><u>\$ 4,770,572</u></u>

EXHIBIT D
TOWN OF SALEM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2019

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 31,641,272	\$ 31,641,272	\$ 32,179,970	\$ 538,698
Licenses and permits	7,682,690	7,682,690	8,990,979	1,308,289
Intergovernmental receivable	2,637,502	2,637,502	2,863,403	225,901
Charges for services	2,572,452	2,572,452	2,665,818	93,366
Miscellaneous	971,120	971,120	1,071,245	100,125
Total revenues	<u>45,505,036</u>	<u>45,505,036</u>	<u>47,771,415</u>	<u>2,266,379</u>
EXPENDITURES				
Current:				
General government	7,096,755	7,096,755	6,625,013	471,742
Public safety	25,617,532	25,617,532	24,703,163	914,369
Highways and streets	4,105,934	4,105,934	4,140,505	(34,571)
Sanitation	949,838	949,838	1,054,549	(104,711)
Health	107,326	107,326	108,645	(1,319)
Welfare	280,666	280,666	253,433	27,233
Culture and recreation	2,260,874	2,260,874	2,150,740	110,134
Debt service:				
Principal	626,000	626,000	626,000	-
Interest	70,126	70,126	59,731	10,395
Capital outlay	3,580,449	2,723,649	2,687,548	36,101
Total expenditures	<u>44,695,500</u>	<u>43,838,700</u>	<u>42,409,327</u>	<u>1,429,373</u>
Excess of revenues over expenditures	<u>809,536</u>	<u>1,666,336</u>	<u>5,362,088</u>	<u>3,695,752</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	463,986	463,986	495,167	31,181
Transfers out	(4,980,677)	(4,980,677)	(4,980,677)	-
Bond proceeds	1,071,000	214,200	220,852	6,652
Total other financing sources (uses)	<u>(3,445,691)</u>	<u>(4,302,491)</u>	<u>(4,264,658)</u>	<u>37,833</u>
Net change in fund balances	<u>\$ (2,636,155)</u>	<u>\$ (2,636,155)</u>	<u>1,097,430</u>	<u>\$ 3,733,585</u>
Increase in nonspendable fund balance			(123,721)	
Decrease in restricted fund balance			20,743	
Increase in assigned fund balance (non-encumbrance)			(528,000)	
Unassigned fund balance, beginning			11,836,983	
Unassigned fund balance, ending			<u>\$ 12,303,435</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF SALEM, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2019

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Cash and cash equivalents	\$ 3,369,512	\$ 2,687,458	\$ 6,056,970
Receivables, net of allowance for uncollectible:			
Accounts	257,135	285,837	542,972
Intergovernmental	546,312	1,036,837	1,583,149
Voluntary tax liens	15,340	-	15,340
Voluntary tax liens reserved until collected	(15,340)	-	(15,340)
Prepaid items	380	29,635	30,015
Total assets	<u>13,791,895</u>	<u>26,943,450</u>	<u>40,735,345</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	8,517	70,449	78,966
Amounts related to other postemployment benefits	11,939	47,813	59,752
Total deferred outflows of resources	<u>20,456</u>	<u>118,262</u>	<u>138,718</u>
LIABILITIES			
Current liabilities:			
Accounts payable	133,703	555,478	689,181
Accrued salaries and benefits	7,501	19,170	26,671
Retainage payable	378,551	200,528	579,079
Accrued interest payable	-	67,073	67,073
Intergovernmental payable	5,654,129	2,635,745	8,289,874
Long term liabilities:			
Due within one year	-	743,758	743,758
Due in more than one year	110,144	4,630,321	4,740,465
Total liabilities	<u>6,284,028</u>	<u>8,852,073</u>	<u>15,136,101</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred assessments	-	2,300	2,300
Amounts related to pensions	3,757	31,073	34,830
Amounts related to other postemployment benefits	5,067	19,492	24,559
Total deferred inflows of resources	<u>8,824</u>	<u>52,865</u>	<u>61,689</u>
NET POSITION			
Net investment in capital assets	9,618,556	18,639,690	28,258,246
Unrestricted	<u>(2,099,057)</u>	<u>(482,916)</u>	<u>(2,581,973)</u>
Total net position	<u><u>\$ 7,519,499</u></u>	<u><u>\$ 18,156,774</u></u>	<u><u>\$ 25,676,273</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBITE-2
TOWN OF SALEM, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2019

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
Operating revenues:			
User charges	\$ 2,828,021	\$ 3,144,795	\$ 5,972,816
Other sales	580,756	480,694	1,061,450
Fees and interest	11,311	13,773	25,084
Miscellaneous	119	97,603	97,722
Total operating revenues	3,420,207	3,736,865	7,157,072
Operating expenses:			
Salaries and wages	246,839	1,126,480	1,373,319
Operation and maintenance	519,297	710,026	1,229,323
Contractual services	2,474,668	1,178,430	3,653,098
Materials and supplies	10,235	81,417	91,652
Depreciation and amortization	184,398	605,657	790,055
Total operating expenses	3,435,437	3,702,010	7,137,447
Operating gain/(loss)	(15,230)	34,855	19,625
Nonoperating revenue (expense):			
Interest income	13,800	11,810	25,610
Intergovernmental revenues	159,192	846,876	1,006,068
Contributions and donations	-	4,162,576	4,162,576
Interest expense	-	(95,291)	(95,291)
Other	-	148,777	148,777
Total nonoperating revenues	172,992	5,074,748	5,247,740
Other financing sources (uses):			
Transfers in	121,561	-	121,561
Transfers out	(223,666)	(413,721)	(637,387)
Total other financing sources (uses)	(102,105)	(413,721)	(515,826)
Change in net position	55,657	4,695,882	4,751,539
Net position, beginning, as restated (see Note 20)	7,463,842	13,460,892	20,924,734
Net position, ending	\$ 7,519,499	\$ 18,156,774	\$ 25,676,273

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF SALEM, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2019

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities:			
Receipts from customers and users	\$3,434,106	\$3,764,638	\$ 7,198,744
Payments to employees	(351,401)	(1,295,577)	(1,646,978)
Payments to suppliers	(2,902,802)	(1,510,231)	(4,413,033)
Net cash provided by operating activities	<u>179,903</u>	<u>958,830</u>	<u>1,138,733</u>
Cash flows from capital and related financing activities:			
Bond proceeds	-	880,720	880,720
State revolving loan drawdowns	3,851,771	1,634,101	5,485,872
Principal paid on bonds	-	(552,026)	(552,026)
Acquisition and construction of fixed assets	(3,152,306)	(2,671,777)	(5,824,083)
Interest paid	-	(78,583)	(78,583)
Net cash used for capital and related financing activities	<u>699,465</u>	<u>(787,565)</u>	<u>(88,100)</u>
Cash flows from non-capital financing activities:			
Intergovernmental revenues	-	81,351	81,351
Operating transfers in	121,561	-	121,561
Operating transfers out	(223,666)	(413,721)	(637,387)
Net cash provided by (used for) non-capital financing activities	<u>(102,105)</u>	<u>(332,370)</u>	<u>(434,475)</u>
Cash flows from investing activities:			
Interest received	13,800	11,810	25,610
Net increase in cash	791,063	(149,295)	641,768
Cash, beginning	2,578,449	2,836,753	5,415,202
Cash, ending	<u>\$3,369,512</u>	<u>\$2,687,458</u>	<u>\$ 6,056,970</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating gain/(loss)	\$ (15,230)	\$ 34,855	\$ 19,625
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Depreciation expense	184,398	605,657	790,055
Decrease in other receivables	13,899	27,473	41,372
Increase in prepaid items	(380)	(24,460)	(24,840)
Decrease in deferred outflows related to pensions	7,561	29,276	36,837
Decrease in deferred outflows related to OPEB	(10,039)	(36,029)	(46,068)
Increase in accounts payable	101,778	484,102	585,880
Increase in accrued salaries and benefits	5,554	1,093	6,647
Increase in compensated absences	1,445	13,889	15,334
Decrease in net pension liability	(56,577)	(154,467)	(211,044)
Increase in OPEB	(49,112)	(12,177)	(61,289)
Increase in deferred assessments	-	300	300
Decrease in deferred inflows related to pensions	(2,312)	(6,573)	(8,885)
Decrease in deferred inflows related to OPEB	(1,082)	(4,109)	(5,191)
Total adjustments	<u>195,133</u>	<u>923,975</u>	<u>1,119,108</u>
Net cash provided by operating activities	<u>\$ 179,903</u>	<u>\$ 958,830</u>	<u>\$ 1,138,733</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-1
TOWN OF SALEM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 114,891	\$ 25,927,436
Investments	1,456,882	-
Total assets	<u>1,571,773</u>	<u>25,927,436</u>
LIABILITIES		
Intergovernmental payables:		
Town	21,757	-
School	-	24,562,662
Total liabilities	<u>21,757</u>	<u>24,562,662</u>
NET POSITION		
Unrestricted	<u><u>\$ 1,550,016</u></u>	<u><u>\$ 1,364,774</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF SALEM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds
ADDITIONS		
Contributions	\$ 438	\$ 405,858
Investment earnings	32,671	1,548
Change in fair market value	246,081	449,800
Tax collections for other governments	-	70,320,340
Total additions	<u>279,190</u>	<u>71,177,546</u>
DEDUCTIONS		
Benefits paid	23,715	455,000
Administrative expenses	13,372	-
Payments of taxes to other governments	-	70,320,340
Total deductions	<u>37,087</u>	<u>70,775,340</u>
Change in net position	242,103	402,206
Net position, beginning as restated (see Note 20)	<u>1,307,913</u>	<u>962,568</u>
Net position, ending	<u><u>\$1,550,016</u></u>	<u><u>\$1,364,774</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting, and Measurement Focus	1-B
Cash and Cash Equivalents	1-C
Statement of Cash Flows	1-D
Investments	1-E
Receivables	1-F
Prepaid Items	1-G
Capital Assets	1-H
Interfund Activities	1-I
Property Taxes	1-J
Accounts Payable	1-K
Deferred Outflows/Inflows of Resources	1-L
Long-term Obligations	1-M
Compensated Absences	1-N
Claims and Judgments	1-O
Defined Benefit Pension Plan	1-P
Postemployment Benefits Other Than Pensions	1-Q
Net Position/Fund Balances	1-R
Use of Estimates	1-S
 Stewardship, Compliance, and Accountability	 2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Deficit Fund Balance	2-C
Accounting Change	2-D

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables	6
Prepaid Items	7
Capital Assets	8
Interfund Balances and Transfers	9
Accrued Liabilities	10
Intergovernmental Payables	11
Deferred Outflows/Inflows of Resources	12
Capital Lease Obligations	13
Long-term Liabilities	14
Defined Benefit Pension Plan	15
Postemployment Benefits Other Than Pensions	16
New Hampshire Retirement System (NHRs)	16-A
Town of Salem Retiree Health Benefit Program	16-B
Encumbrances	17

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Governmental Activities Net Position.....	18
Governmental Fund Balances	19
Prior Period Adjustments.....	20
Risk Management.....	21
Donation.....	22
Contingent Liabilities.....	23
Subsequent Events.....	24

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Salem, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2019, the Town implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-D for further information on this pronouncement.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Salem is a municipal corporation governed by an elected five-member Board of Selectmen and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – is the Town's primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants, and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service, and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the expendable trust funds are consolidated in the general fund.

Capital Projects Fund – the capital projects fund accounts for the activity pertaining to the construction/renovation of Town owned property reported in the governmental activities.

Impact Fees Fund – the impact fees fund is used to account for activity related to public safety, road, and recreation impact fees.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports eleven nonmajor governmental funds.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Sewer Fund – accounts for the activities related to the operation of the Town's pumping stations, sewer lines, and sewage flow, which is sent to the Greater Lawrence Sanitary District.

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town's fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, it is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used.

1-H Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets, which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of five years, with the exception of police cruisers, which are capitalized regardless of cost and are assigned a three-year useful life. Such assets are carried at historical cost or estimated historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Land improvements	20 - 40
Buildings and building improvements	45 - 50
Machinery, equipment, and furnishings	3 - 45
Infrastructure	10 - 50

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

I-J Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 17, 2019 and October 30, 2019, and were due on July 1, 2019 and December 9, 2019, respectively. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2018 on March 20, 2019.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Salem School District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 4,503,189,981
For all other taxes	\$ 4,590,080,181

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 7.10	\$ 32,574,842
School portion:		
State of New Hampshire	2.20	9,917,459
Local	11.63	53,395,203
County portion	1.05	4,811,300
Total	<u><u>\$ 21.98</u></u>	<u><u>\$ 100,698,804</u></u>

I-K Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

I-L Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable not collected within 60 days after year-end and bond premiums received but not yet amortized.

1-M Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-N Compensated Absences

Vacation - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave - The Town's policy allows certain employees to earn varying amounts of sick time as set forth by the Town's personnel policy. A liability for those amounts is recorded in the government-wide and proprietary fund financial statements.

1-O Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

1-P Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-Q Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-R Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the Town's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The Town's Fund Balance Policy states that the Town shall maintain adequate fund reserves to protect itself against emergencies and economic downturns. In addition, the Town has established the following guidelines:

General Fund – The Town will strive to retain between 6% and 10% of the municipality's gross appropriations, plus local school net tax commitment, plus the statewide enhanced education amount, plus the county appropriation, which is measured annually at tax rate setting time.

1-S Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund and proprietary sewer and water funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2019, \$1,841,155 of the beginning general fund unassigned fund balance was applied for this purpose. In addition, \$795,000 was voted from unassigned fund balance, with \$710,000 to be used to replace the HVAC system at the Salem District Court House and \$85,000 to be used for a public safety radio tower.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the general fund.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 48,487,434
Adjustment:	
Basis difference:	
Inception of capital leases	1,089,213
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	201,010
To recognize transfers in to the expendable trust funds	5,715,551
To eliminate transfers between blended funds	(5,715,551)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	31,121
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 49,808,778</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 47,390,004
Adjustment:	
Basis differences:	
Inception of capital leases	1,089,213
Encumbrances, beginning	514,693
Encumbrances, ending	(454,843)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	76,603
To recognize transfers out of the expendable trust funds	4,872,366
To eliminate transfers between general and blended funds	(5,715,551)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 47,772,485</u></u>

2-C Deficit Fund Balances

The Community Development Block Grant (CDBG) special revenue fund had a deficit fund balance of \$484 at December 31, 2019. This deficit will be financed through future grant proceeds or transfers from the general fund.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 20.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$54,032,178 and the bank balances totaled \$58,610,359. Cash on hand \$3,269. The Town held \$19,650 in certificates of deposit at various banks at year-end.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 27,993,120
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	26,042,327
Total cash and cash equivalents:	<u>\$ 54,035,447</u>

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2019:

Investments type:	Measurement Method	Valuation		
		Fair Value	Less Than 1 Year	1-5 Years
Common stock	Level 1	\$ 122,124	\$ -	\$ -
Corporate bonds	Level 1	-	-	78,536
Corporate equities	Level 1	941,244	-	-
Equity mutual funds	Level 1	411,707	-	-
Fixed income funds	Level 1	431,024	-	-
U.S. Treasury obligations	Level 1	-	49,885	99,602
Total fair value		<u>\$ 1,906,099</u>	<u>\$ 49,885</u>	<u>\$ 178,138</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. As of December 31, 2019, the Town's investment pool had the following credit risk structure:

Investment Type	Credit Rating*	Fair Value	Percentage of Total
Corporate bonds:			
Becton Dickinson & Co	BA1	\$ 25,486	1.19%
Union Pacific Corp	Other	53,050	2.49%
U.S. Treasury obligations:			
U.S. Treasury notes	AAA	149,487	7.00%
		<u>\$ 228,023</u>	<u>10.68%</u>

* Per Moody's

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in MetLife, Inc. These investments are 5.72% of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 677,240
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	1,456,882
Total investments	<u><u>\$2,134,122</u></u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2019	\$2,244,778	\$2,244,778
Unredeemed (under tax lien):		
Levy of 2018	440,744	440,744
Levy of 2017	237,201	237,201
Levies of 2016 and prior	22,351	22,351
Less: allowance for estimated uncollectible taxes	<u>(88,352)</u> *	-
Net taxes receivable	<u><u>\$2,856,722</u></u>	<u><u>\$2,945,074</u></u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2019, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2019 for the Town's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Total
	General	Capital Projects	Nonmajor	Governmental Funds
Receivables:				
Accounts	\$ 1,292,801	\$ -	\$ 493,285	\$ 1,786,086
Intergovernmental	135,587	13,666	10,000	159,253
Voluntary tax liens	142,708	-	-	142,708
Gross receivables	1,571,096	13,666	503,285	2,088,047
Less: allowance for uncollectibles	<u>(504,615)</u>	-	<u>(36,223)</u>	<u>(540,838)</u>
Net total receivables	<u><u>\$ 1,066,481</u></u>	<u><u>\$ 13,666</u></u>	<u><u>\$ 467,062</u></u>	<u><u>\$ 1,547,209</u></u>

(Continued)

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Other receivables continued:

	Proprietary Funds		Total Proprietary Funds
	Sewer	Water	
Receivables:			
Accounts	\$ 285,172	\$ 316,798	\$ 601,970
Intergovernmental	546,312	1,036,837	1,583,149
Voluntary tax liens	15,340	-	15,340
Gross receivables	846,824	1,353,635	2,200,459
Less: allowance for uncollectibles	(43,377)	(30,961)	(74,338)
Net total receivables	\$ 803,447	\$ 1,322,674	\$ 2,126,121

NOTE 7 – PREPAID ITEMS

Prepaid items at December 31, 2019 consisted of the following:

	Government-wide Statements		Governmental		
	Governmental Activities	Business-type Activities	Funds General	Proprietary Funds	
				Sewer	Water
Property and liability insurance	\$ 199,178	\$ -	\$ 199,178	\$ -	\$ -
Health insurance	152,815	-	152,815	-	-
Interest	19,648	29,015	19,648	-	29,015
Miscellaneous	900	1,000	900	380	620
Capital lease	-	-	-	-	-
Total	\$ 372,541	\$ 30,015	\$ 372,541	\$ 380	\$ 29,635

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 10,806,516	\$ 2,549,781	\$ -	\$ 13,356,297
Construction in progress	319,095	1,546,018	(320,825)	1,544,288
Total capital assets not being depreciated	<u>11,125,611</u>	<u>4,095,799</u>	<u>(320,825)</u>	<u>14,900,585</u>
Being depreciated:				
Land improvements	4,041,954	429,825	-	4,471,779
Buildings and building improvements	7,629,690	-	-	7,629,690
Machinery, equipment, and furnishings	13,814,303	523,892	(809,464)	13,528,731
Infrastructure	211,733,044	4,251,162	(2,633,279)	213,350,927
Total capital assets being depreciated	<u>237,218,991</u>	<u>5,204,879</u>	<u>(3,442,743)</u>	<u>238,981,127</u>
Total all capital assets	<u>248,344,602</u>	<u>9,300,678</u>	<u>(3,763,568)</u>	<u>253,881,712</u>
Less accumulated depreciation:				
Land improvements	(396,525)	(211,935)	-	(608,460)
Buildings and building improvements	(4,612,103)	(148,571)	-	(4,760,674)
Machinery, equipment, and furnishings	(8,439,841)	(886,046)	809,464	(8,516,423)
Infrastructure	(150,565,368)	(7,166,526)	2,633,279	(155,098,615)
Total accumulated depreciation	<u>(164,013,837)</u>	<u>(8,413,078)</u>	<u>3,442,743</u>	<u>(168,984,172)</u>
Net book value, capital assets being depreciated	<u>73,205,154</u>	<u>(3,208,199)</u>	<u>-</u>	<u>69,996,955</u>
Net book value, all governmental activities capital assets	<u>\$ 84,330,765</u>	<u>\$ 887,600</u>	<u>\$ (320,825)</u>	<u>\$ 84,897,540</u>

(Continued)

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 350,000	\$ -	\$ -	\$ 350,000
Intangible assets	-	1,071,000	-	1,071,000
Construction in progress	3,281,121	8,974,411	-	12,255,532
Total capital assets not being depreciated	<u>3,631,121</u>	<u>10,045,411</u>	<u>-</u>	<u>13,676,532</u>
Being depreciated:				
Buildings and building improvements	2,036,650	-	-	2,036,650
Machinery, equipment, and furnishings	5,648,140	39,940	-	5,688,080
Infrastructure	27,637,280	77,475	-	27,714,755
Total capital assets being depreciated	<u>35,322,070</u>	<u>117,415</u>	<u>-</u>	<u>35,439,485</u>
Total all capital assets	<u>38,953,191</u>	<u>10,162,826</u>	<u>-</u>	<u>49,116,017</u>
Less accumulated depreciation:				
Buildings and building improvements	(452,162)	(50,885)	-	(503,047)
Machinery, equipment, and furnishings	(3,145,148)	(170,988)	-	(3,316,136)
Infrastructure	(12,206,413)	(568,182)	-	(12,774,595)
Total accumulated depreciation	<u>(15,803,723)</u>	<u>(790,055)</u>	<u>-</u>	<u>(16,593,778)</u>
Net book value, capital assets being depreciated	<u>19,518,347</u>	<u>(672,640)</u>	<u>-</u>	<u>18,845,707</u>
Net book value, all business-type activities capital assets	<u>\$ 23,149,468</u>	<u>\$ 9,372,771</u>	<u>\$ -</u>	<u>\$ 32,522,239</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
General government	\$ 269,853
Public safety	635,456
Highways and streets	7,414,650
Sanitation	9,347
Culture and recreation	83,772
Total depreciation expense	<u>\$ 8,413,078</u>
Business-type activities:	
Water	\$ 605,657
Sewer	184,398
Total depreciation expense	<u>\$ 790,055</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Impact Fees	\$ 39,650
General	Nonmajor	10,980
Capital Projects	General	606,777
		<u>\$ 657,407</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2019 is as follows:

	Transfers In:					
	Governmental Funds			Proprietary Fund		
	General	Capital Projects	Impact Fees	Nonmajor	Sewer	Total
Transfers out:						
Governmental funds:						
General	\$ -	\$ 4,137,492	\$ -	\$ -	\$ -	\$ 4,137,492
Capital projects	-	-	38,038	-	-	38,038
Impact fees	39,650	253,500	-	12,740	-	305,890
Nonmajor	19,031	-	-	-	-	19,031
Proprietary funds:						
Sewer	223,666	-	-	-	-	223,666
Water	212,820	79,340	-	-	121,561	413,721
Total	<u>\$ 495,167</u>	<u>\$ 4,470,332</u>	<u>\$ 38,038</u>	<u>\$ 12,740</u>	<u>\$ 121,561</u>	<u>\$ 5,137,838</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 – ACCRUED LIABILITIES

Accrued liabilities reported at December 31, 2019, were as follows:

	Governmental Funds		Proprietary Funds		Total
	General	Nonmajor	Sewer	Water	
Payroll	\$ 691,863	\$ 28,288	\$ 7,501	\$ 19,170	\$ 746,822
Employee benefits	28,105	-	-	-	28,105
Total accrued liabilities	<u>\$ 719,968</u>	<u>\$ 28,288</u>	<u>\$ 7,501</u>	<u>\$ 19,170</u>	<u>\$ 774,927</u>

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$32,903,508 at December 31, 2019 consist of the following:

Governmental fund:	
General:	
Balance due to the Salem School District	\$ 3,976
Fees due to the State of New Hampshire	25,239
Total governmental fund	<u>29,215</u>
Proprietary funds:	
Sewer:	
Amounts due to the State of New Hampshire (unissued SRF loan)	<u>5,654,129</u>
Water:	
Amounts due to the State of New Hampshire (unissued SRF loan)	2,635,745
Total proprietary funds	<u>8,289,874</u>
Fiduciary funds:	
Private purpose trust:	
Balance due to the Town of Salem	<u>21,757</u>
Agency:	
Property taxes owed to the Salem School District	24,562,662
Total fiduciary funds	<u>24,584,419</u>
Total intergovernmental payables due	<u>\$ 32,903,508</u>

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 12 – DEFERRED OUTFLOWS/INFLows OF RESOURCES

Deferred outflows of resources are as follows:

Governmental activities:		
Amounts related to pensions (see Note 15)		\$ 4,237,697
Amounts related to other postemployment benefits (see Note 16)		6,938,561
Total governmental activities		<u>11,176,258</u>
Business-type activities:		
Proprietary funds:		
Sewer:		
Amounts related to pensions (see Note 15)		8,517
Amounts related to other postemployment benefits (see Note 16)		11,939
Total sewer fund		<u>20,456</u>
Water:		
Amounts related to pensions (see Note 15)		70,449
Amounts related to other postemployment benefits (see Note 16)		47,813
Total water fund		<u>118,262</u>
Total proprietary funds		<u>138,718</u>
Total deferred outflows of resources		<u>\$11,314,976</u>

Deferred inflows of resources are as follows:

	Exhibit A	Exhibit C-1
Governmental activities:		
Property taxes collected prior to their due date	\$ 44,992	\$ 44,992
Property taxes not collected within 60 days of year-end	-	462,905
Bond premiums amortized over life of bond	-	72,355
Amounts related to pensions (see Note 15)	1,869,143	-
Amounts related to other postemployment benefits (see Note 16)	2,960,597	-
Total governmental activities	<u>4,874,732</u>	<u>\$ 580,252</u>
Business-type activities:		
Proprietary funds:		
Sewer:		
Amounts related to pensions (see Note 15)	3,757	
Amounts related to other postemployment benefits (see Note 16)	5,067	
Total sewer fund	<u>8,824</u>	
Water:		
Deferred assessments	2,300	
Amounts related to pensions (see Note 15)	31,073	
Amounts related to other postemployment benefits (see Note 16)	19,492	
Total water fund	<u>52,865</u>	
Total proprietary funds	<u>61,689</u>	
Total deferred outflows of resources	<u>\$4,936,421</u>	

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 13 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2019
Governmental activities:		
Capital lease obligations:		
Multiple vehicles and equipment (2017)	2.84%	\$ 157,907
Multiple vehicles and equipment (2018)	2.67%	386,179
Communications upgrade	0.00%	480,000
Police vehicles (2019)	2.50%	225,966
Fire pumper (2019)	1.98%	594,236
Total capital lease obligations		<u><u>\$ 1,844,288</u></u>

Leased equipment under the capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Multiple vehicles and equipment (2017)	\$ 914,894
Multiple vehicles and equipment (2018)	757,295
Communications upgrade	1,600,000
Police vehicles (2019)	338,992
Fire pumper (2019)	750,221
Total equipment	<u><u>4,361,402</u></u>
Less: accumulated depreciation	(2,081,420)
Total capital lease equipment	<u><u>\$ 2,279,982</u></u>

The annual requirements to amortize the capital leases payable as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2020	\$ 1,177,017
2021	404,698
2022	155,985
2023	155,985
Total requirements	<u><u>1,893,685</u></u>
Less: interest	(49,397)
Present value of remaining payments	<u><u>\$ 1,844,288</u></u>

Amortization of lease equipment under capital assets is included with depreciation expense.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 1,915,000	\$ 3,030,000	\$ (626,000)	\$ 4,319,000	\$ 711,000
Premium	88,274	369,937	(15,919)	442,292	54,996
Total bonds payable	2,003,274	3,399,937	(641,919)	4,761,292	765,996
Capital leases	2,087,516	1,089,213	(1,332,441)	1,844,288	1,149,447
Compensated absences	3,861,826	68,611	(194,783)	3,735,654	68,037
Accrued landfill postclosure care costs	492,000	-	(6,000)	486,000	20,000
Net pension liability	45,878,861	444,876	-	46,323,737	-
Net other postemployment benefits	36,498,843	970,385	-	37,469,228	-
Total long-term liabilities	<u>\$ 90,822,320</u>	<u>\$ 5,973,022</u>	<u>\$ (2,175,143)</u>	<u>\$ 94,620,199</u>	<u>\$ 2,003,480</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 2,445,000	\$ 800,000	\$ (409,000)	\$ 2,836,000	\$ 559,000
Premium	140,136	83,406	(22,884)	200,658	39,565
Total bonds payable	2,585,136	883,406	(431,884)	3,036,658	598,565
Notes payable	1,370,361	-	(143,026)	1,227,335	145,193
Compensated absences	86,168	15,334	-	101,502	-
Net pension liability	900,883	-	(37,673)	863,210	-
Net other postemployment benefits	362,471	-	(106,953)	255,518	-
Total long-term liabilities	<u>\$ 5,305,019</u>	<u>\$ 898,740</u>	<u>\$ (719,536)</u>	<u>\$ 5,484,223</u>	<u>\$ 743,758</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2019	Current Portion
Governmental activities:						
General obligation bonds payable:						
Bridges reconstruction	\$ 1,297,000	2010	2020	2.00-4.00	\$ 125,000	\$ 125,000
Bridge construction/water improvements	\$ 1,189,909	2013	2023	3.00	464,000	121,000
Bridge construction/water improvements	\$ 1,418,000	2014	2024	2.00-3.00	700,000	140,000
Drinking water capacity	\$ 200,000	2019	2024	1.499	200,000	40,000
Depot land acquisition	\$ 2,830,000	2019	2029	1.96	2,830,000	285,000
Total bonds payable					4,319,000	711,000
Bond premium					442,292	54,996
Total governmental activities					<u>4,761,292</u>	<u>765,996</u>

(Continued)

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Long-term bonds/notes continued:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2019	Current Portion
Business-type activities:						
Water and sewer bonds payable:						
Blake Road project	\$ 695,900	2004	2024	3.00-5.00	175,000	35,000
Bridge construction/water improvements	\$ 692,091	2013	2023	3.00	276,000	69,000
Bridge construction/water improvements	\$ 1,900,000	2014	2024	2.00-3.00	925,000	185,000
Water main improvement	\$ 1,110,000	2015	2025	2.00-4.00	660,000	110,000
Drinking water capacity	\$ 800,000	2019	2024	1.499	800,000	160,000
Total bonds payable					2,836,000	559,000
Bond premium					200,658	39,565
Water note payable:						
Exit 2 water system improvement	\$ 1,509,273	2018	2027	1.515	1,227,335	145,193
Total					4,263,993	743,758
Grand total					\$ 9,025,285	\$ 1,509,754

The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 711,000	\$ 171,470	\$ 882,470
2021	586,000	143,015	729,015
2022	576,000	118,935	694,935
2023	576,000	95,155	671,155
2024	465,000	71,375	536,375
2025-2029	1,405,000	130,325	1,535,325
Totals	\$ 4,319,000	\$ 730,275	\$ 5,049,275

The annual requirements to amortize all *business-type activities* bonds and notes outstanding as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 704,193	\$ 120,515	\$ 824,708
2021	706,393	98,832	805,225
2022	708,626	77,029	785,655
2023	710,892	52,994	763,886
2024	644,193	29,000	673,193
2025-2027	589,038	19,022	608,060
Totals	\$ 4,063,335	\$ 397,392	\$ 4,460,727

Accrued Landfill Postclosure Care Costs – Previously a 30-year period after closure was presented in the Town's engineer's estimates based on New Hampshire Department of Environmental Safety (NHDES) requirements for financial assurance for landfills. The financial assurance rules were modified in 2014 to provide for financial assurance for 30 years on an on-going basis. The necessary effort and costs for postclosure care will vary with a range of issues, including water quality, NHDES requirements, cap condition, and gas production, all of which will vary over time. Requirements for monitoring and reporting, including groundwater testing and gas testing, are anticipated to reduce over time. Requirements for maintenance of the cap itself will occur for an indefinite amount of time. The Town's engineer anticipates postclosure costs will potentially decrease, on average, by approximately half after the first 30 years of closure (11 years from now) and continue at the reduced level for an indefinite time frame. The Town's engineer believes a 30-year period from today is a reasonable evaluation period for accounting purposes. The resulting estimate of total costs is \$486,000 as of December 31, 2019.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2019 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
Warrant Article No. 8 - March 2014	Replacement of bridges and one culvert at Shannon Road	\$ 24
Warrant Article No. 10 - March 2017	Wastewater and stormwater asset management plan	60,000
Warrant Article No. 5 - March 2018	Water, sewer, and bridge improvements on South Broadway	11,650,000
Warrant Article No. 5 - March 2019	Drinking water capacity	4,285,000
		<u>\$ 15,995,024</u>

NOTE 15 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employees other than police and fire) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80%, respectively.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

For fiscal year 2019, the Town's contribution rates were as follows:

Period	Police	Fire	All Other Employees
January 1, 2019 - June 30, 2019	25.33%	27.79%	11.08%
July 1, 2019 - December 31, 2019	24.77%	26.43%	10.08%

The contribution requirement for the fiscal year 2019 was \$4,191,666, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019 the Town reported a liability of \$47,186,946 (\$46,323,736 for governmental activities and \$863,210 for business-type activities) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town's proportion was 0.98% which was an increase of 0.01% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$1,737,738 (\$1,747,459 for governmental activities and (\$9,721) for business-type activities). At December 31, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred	Deferred	Deferred	Deferred
	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources
Changes in proportion	\$ 327,748	\$ 494,652	\$ 6,107	\$ 9,217
Changes in assumptions	1,662,078	-	30,971	-
Net difference between projected and actual investment earnings on pension plan investments	-	378,398	-	7,052
Differences between expected and actual experience	256,130	996,093	4,773	18,561
Contributions subsequent to the measurement date	1,991,741	-	37,115	-
Total	\$ 4,237,697	\$ 1,869,143	\$ 78,966	\$ 34,830

The \$1,991,741 in the governmental activities and \$37,115 in the business-type activities reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities
2020	\$ 1,231,246	\$ 22,943
2021	(981,564)	(18,291)
2022	(45,906)	(855)
2023	173,037	3,224
Totals	\$ 376,813	\$ 7,021

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25% (3.00% for teachers)
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2019	
Large Cap Equities	22.50%	4.25%	
Small/Mid Cap Equities	7.50%	4.50%	
Total domestic equity	30.00%		
Int'l Equities (unheded)	13.00%	4.50%	
Emerging Int'l Equities	7.00%	6.00%	
Total international equity	20.00%		
Core Bonds	9.00%	1.12%	
Global Multi-Sector Fixed Income	10.00%	2.46%	
Absolute Return Fixed Income	6.00%	1.50%	
Total fixed income	25.00%		
Private equity	10.00%	7.90%	
Private debt	5.00%	4.86%	
Total alternative investments	15.00%		
Real estate	10.00%	3.00%	
Total	100.00%		

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following tables present the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Governmental activities:			
Actuarial Valuation	1% Decrease	Current Single Rate Assumption	1% Increase
Date	6.25%	7.25%	8.25%
June 30, 2018	\$ 62,029,390	\$ 46,323,737	\$ 33,343,135

(continued)

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate continued:

Business-type activities:			
Actuarial Valuation Date	1% Decrease	Current Single Rate Assumption	1% Increase
June 30, 2018	6.25%	7.25%	8.25%
	<u>\$ 1,155,874</u>	<u>\$ 863,210</u>	<u>\$ 621,326</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the System's website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2019, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the Town's contribution rates were as follows:

Period	Police	Fire	All Other Employees
January 1, 2019 - June 30, 2019	4.10%	4.10%	0.30%
July 1, 2019 - December 31, 2019	3.66%	3.66%	0.29%

The contribution requirement for the fiscal year 2019 was \$524,496, which was paid in full.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the Town reported a liability of \$5,355,517 (\$5,257,546 for governmental activities and \$97,971 for business-type activities) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town's proportion was 1.22%, which was an increase of 0.02% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$297,957 (\$297,158 for governmental activities and \$799 for business-type activities). At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 8,136	\$ -	\$ 152	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	5,907	-	110
Differences between expected and actual experience	-	9,146	-	170
Contributions subsequent to the measurement date	238,229	-	4,439	-
Total	<u>\$ 246,365</u>	<u>\$ 15,053</u>	<u>\$ 4,591</u>	<u>\$ 280</u>

The \$238,229 in the governmental activities and \$4,439 in the business-type activities reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities
2020	\$ (4,929)	\$ (92)
2021	(3,919)	(73)
2022	406	8
2023	1,525	29
Totals	<u>\$ (6,917)</u>	<u>\$ (128)</u>

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.5%
Wage inflation:	3.25%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2019	
Large Cap Equities	22.50%	4.25%	
Small/Mid Cap Equities	7.50%	4.50%	
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.50%	
Emerging Int'l Equities	7.00%	6.00%	
Total international equity	20.00%		
Core Bonds	9.00%	1.12%	
Global Multi-Sector Fixed Income	10.00%	2.46%	
Absolute Return Fixed Income	6.00%	1.50%	
Total fixed income	25.00%		
Private equity	10.00%	7.90%	
Private debt	5.00%	4.86%	
Total alternative investments	15.00%		
Real estate	10.00%	3.00%	
Total	100.00%		

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Governmental activities:			
Actuarial Valuation	1% Decrease	Current Single Rate Assumption	1% Increase
Date	6.25%	7.25%	8.25%
June 30, 2019	\$ 5,702,608	\$ 5,257,546	\$ 4,870,816

Business-type activities:			
Actuarial Valuation	1% Decrease	Current Single Rate Assumption	1% Increase
Date	6.25%	7.25%	8.25%
June 30, 2019	\$ 106,264	\$ 97,971	\$ 90,764

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

16-B Town of Salem Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At December 31, 2019 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	73
Active employees	248
Total participants covered by OPEB plan	<u>321</u>

Total OPEB Liability – The Town's total OPEB liability of \$32,369,229 (\$32,211,682 for governmental activities and \$157,547 for business-type activities) was measured as of December 31, 2019, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$32,369,229 in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.74%
Healthcare Cost Trend Rates:	
Current Year Trend	8.0%
Second Year Trend	7.5%
Decrement	0.5%
Ultimate Trend	3.9%
Year Ultimate Trend is Reached	2075

The discount rate was based on the *Bond Buyer 20-Bond General Obligation Index* published on December 27, 2019.

Mortality rates for pre-retirement employees were based on the RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015. Mortality rates for post-retirement employees were based on the RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.

Changes in the Total OPEB Liability

	Governmental Activities	Business-type Activities
OPEB liability beginning of year	\$ 31,090,093	\$ 256,264
Changes for the year:		
Service cost	644,492	10,244
Interest	1,288,189	10,877
Changes of benefit terms	(8,044,898)	(61,190)
Differences between actual and expected experience	1,782,667	(15,001)
Change in assumptions or other inputs	6,081,796	(41,200)
Benefit payments	(630,657)	(2,447)
OPEB liability end of year	<u>\$ 32,211,682</u>	<u>\$ 157,547</u>

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The December 31, 2019 actuarial valuation was prepared using a discount rate of 2.74%. If the discount rate were 1% lower than what was used, the OPEB liability would increase by 22.94%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease by 16.82%.

Governmental Activities:

	Discount Rate		
	1% Decrease	Baseline 2.74%	1% Increase
Total OPEB Liability	\$ 39,600,105	\$ 32,211,682	\$ 26,792,276

Business-type Activities:

	Discount Rate		
	1% Decrease	Baseline 2.74%	1% Increase
Total OPEB Liability	\$ 193,683	\$ 157,547	\$ 131,041

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The December 31, 2019 actuarial valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease by 19.37%. If the trend rate were 1% higher than what was used, the OPEB liability would increase by 25.91%.

Governmental Activities:

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	\$ 25,971,126	\$ 32,211,682	\$ 40,556,225

Business-type Activities:

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	\$ 127,025	\$ 157,547	\$ 198,360

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the Town recognized OPEB benefit of \$6,352,354 (\$6,193,343 for governmental activities and \$159,011 for business-type activities). At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-type Activities	
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
Differences between expected and actual experience	\$ 1,515,006	\$ -	\$ 12,488	\$ -
Changes in assumptions	5,177,190	2,945,544	42,673	24,279
Total	<u>\$ 6,692,196</u>	<u>\$ 2,945,544</u>	<u>\$ 55,161</u>	<u>\$ 24,279</u>

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

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities
2020	\$ 429,496	\$ 3,540
2021	429,496	3,540
2022	429,496	3,540
2023	429,496	3,540
2024	597,632	4,926
Thereafter	1,431,036	11,796
Totals	<u>\$ 3,746,652</u>	<u>\$ 30,882</u>

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 17 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2019 and are as follows:

General fund:	
General government	\$ 118,933
Public safety	142,135
Highways and streets	42,167
Culture and recreation	8,311
Capital outlay	143,297
Total encumbrances	<u>\$ 454,843</u>

NOTE 18 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2019 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ 84,897,540	\$ 32,522,239	\$ 117,419,779
Less:			
General obligation bonds payable	(4,319,000)	(2,836,000)	(7,155,000)
Unamortized bond premiums	(442,292)	(200,658)	(642,950)
Notes payable	-	(1,227,335)	(1,227,335)
Capital leases payable	(1,844,288)	-	(1,844,288)
Total net investment in capital assets	<u>78,291,960</u>	<u>28,258,246</u>	<u>106,550,206</u>
Restricted net position:			
Grants and donations	41,675	-	41,675
Library	71,211	-	71,211
Perpetual care - nonexpendable	572,217	-	572,217
Police forfeiture	109,268	-	109,268
Total restricted net position	<u>828,867</u>	<u>-</u>	<u>828,867</u>
Unrestricted	<u>(58,086,579)</u>	<u>(2,581,973)</u>	<u>(60,668,552)</u>
Total net position	<u><u>\$ 21,034,248</u></u>	<u><u>\$ 25,676,273</u></u>	<u><u>\$ 46,710,521</u></u>

NOTE 19 – FUND BALANCES

Fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Capital Projects Fund	Impact Fees	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 372,541	\$ -	\$ -	\$ -	\$ 372,541
Permanent fund - principal balance	-	-	-	572,217	572,217
Total nonspendable fund balance	<u>372,541</u>	<u>-</u>	<u>-</u>	<u>572,217</u>	<u>944,758</u>
Restricted:					
Unspent bond proceeds	103,715	-	-	-	103,715
Capital projects	-	34,496	-	-	34,496
Grants and donations	-	-	-	41,675	41,675
Police forfeiture	-	-	-	109,268	109,268
Library	-	-	-	71,211	71,211
Total restricted fund balance	<u>103,715</u>	<u>34,496</u>	<u>-</u>	<u>222,154</u>	<u>360,365</u>

(Continued)

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Fund balances continued:

	General Fund	Capital Projects Fund	Impact Fees	Nonmajor Funds	Total Governmental Funds
Committed:					
Expendable trust	3,630,525	-	-	-	3,630,525
MetLife investments Fair Market Value adjustment	87,981	-	-	-	87,981
Impact fees	-	-	3,006,642	-	3,006,642
Cable TV	-	-	-	278,929	278,929
Conservation commission	-	-	-	1,010,479	1,010,479
Fire outside details	-	-	-	21,264	21,264
Police outside details	-	-	-	495,691	495,691
Recreation	-	-	-	180,678	180,678
Developer escrows	-	-	-	710,852	710,852
Total committed fund balance	3,718,506	-	3,006,642	2,697,893	9,423,041
Assigned:					
Encumbrances	454,843	-	-	-	454,843
Contingency	972,000	-	-	-	972,000
Total assigned fund balance	1,426,843	-	-	-	1,426,843
Unassigned:					
General fund	11,928,882	-	-	-	11,928,882
CDBG fund (deficit)	-	-	-	(484)	(484)
Total unassigned fund balance (deficit)	11,928,882	-	-	(484)	11,928,398
Total governmental fund balances	\$ 17,550,487	\$ 34,496	\$ 3,006,642	\$ 3,491,780	\$ 24,083,405

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

Net position at January 1, 2019 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Funds			
	Governmental Activities	Capital Projects	Impact Fees	Nonmajor Funds
To restate for the cumulative changes related to implementation of GASB No. 84, see Note 2-D	\$ 2,922,233	\$ -	\$ 2,186,997	\$ 735,236
To reclassify capital expenditures that relate to the water fund	112,910	112,910	-	-
Net position, as previously reported	13,228,533	556,912	-	2,411,851
Net position, as restated	\$ 16,263,676	\$ 669,822	\$ 2,186,997	\$ 3,147,087

	Enterprise Fund		
	Business-type Activities	Water Fund	Custodial Funds
To restate for the cumulative changes related to implementation of GASB No. 84, see Note 2-D	\$ -	\$ -	\$ 962,568
To reclassify capital expenditures that relate to the water fund	(112,910)	(112,910)	-
Net position, as previously reported	21,037,644	13,573,802	-
Net position, as restated	\$ 20,924,734	\$ 13,460,892	\$ 962,568

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 21 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2019 to December 31, 2019 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2019, the Town paid \$398,356 and \$904,384, respectively, to Primex³ for property/liability and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 22 – DONATION

In conjunction with the Town's regional water line capital project, the State of New Hampshire is also constructing water lines and pumping stations, which are directly paid for by the State. Upon completion, ownership and maintenance of the lines are transferred to the Town. The valuation of this infrastructure donated to the Town in 2019 was \$4,162,576.

NOTE 23 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 24 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 3, 2020, the date the December 31, 2019 financial statements were available to be issued, and the following events occurred that require recognition or disclosure:

- At the March 10, 2020 Annual Town Election, the following articles were voted:

Warrant Article No. 9 – the Town voted to authorize bonds or notes of not more than \$1,600,000 for water and sewer improvements in the West Duston Road neighborhood.

Warrant Article No. 10 – the Town approved \$4,230,000 for two culvert replacements in the Policy Brook watershed, of which not more than \$1,057,500 is authorized to come from the issuance of bonds or notes. The remaining \$3,172,500 is to come from a Federal Emergency Management Agency (FEMA) Pre-Disaster Hazard Mitigation Grant. The project is contingent upon receiving the FEMA grant.

Warrant Article No. 11 – the Town voted to authorize bonds or notes of not more than \$75,000 for the purpose of stormwater planning work, to be offset by applying for a Clean Water State Revolving Fund loan, with up to 100% principal forgiveness.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Warrant Article No. 12— the Town voted to authorize bonds or notes of not more than \$30,000 for the purpose of planning work relative to management of the municipal wastewater pump station system, to be offset by applying for a Clean Water State Revolving Fund loan, with up to 100% principal forgiveness.

Warrant Article No. 12— the Town approved its 2020 operating budget totaling \$52,477,166, of which \$2,648,000 is to come from December 31, 2019 unassigned fund balance.

- On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact any investments held by the Town which are measured at fair value. Other financial impact could occur though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G

TOWN OF SALEM, NEW HAMPSHIRE

Schedule of the Town's Proportionate Share of Net Pension Liability

New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan

For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.96%	1.01%	1.00%	0.99%	0.97%	0.97%	0.98%
Town's proportionate share of the net pension liability	\$41,281,824	\$37,801,337	\$39,790,897	\$52,814,323	\$47,877,646	\$ 46,779,743	\$ 47,186,946
Town's covered payroll	\$16,548,303	\$17,665,164	\$18,230,211	\$17,795,519	\$18,538,018	\$ 19,239,017	\$ 20,057,803
Town's proportionate share of the net pension liability as a percentage of its covered payroll	249.46%	213.99%	218.27%	296.78%	258.27%	243.15%	235.25%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

EXHIBIT H

TOWN OF SALEM, NEW HAMPSHIRE

Schedule of Town Contributions - Pensions

New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan

For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 2,385,091	\$ 3,267,177	\$ 3,369,755	\$ 3,556,439	\$ 3,566,426	\$ 4,106,124	\$ 4,267,740
Contributions in relation to the contractually required contributions	(2,385,091)	(3,267,177)	(3,369,755)	(3,556,439)	(3,566,426)	(4,106,124)	(4,267,740)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	<u>\$16,548,303</u>	<u>\$17,665,164</u>	<u>\$18,230,211</u>	<u>\$17,795,519</u>	<u>\$18,538,018</u>	<u>\$19,239,017</u>	<u>\$20,057,803</u>
Contributions as a percentage of covered payroll	14.41%	18.50%	18.48%	19.99%	19.24%	21.34%	21.28%

TOWN OF SALEM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT I
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Town's proportion of the net OPEB liability	0.83%	0.80%	1.20%	1.22%
Town's proportionate share of the net OPEB liability (asset)	\$ 3,994,098	\$ 3,669,214	\$ 5,514,957	\$ 5,355,517
Town's covered payroll	\$ 17,795,519	\$ 18,538,018	\$ 19,239,017	\$ 20,057,803
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	22.44%	19.79%	28.67%	26.70%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Contractually required contribution	\$ 479,403	\$ 475,631	\$ 532,806	\$ 557,477
Contributions in relation to the contractually required contribution	(479,403)	(475,631)	(532,806)	(557,477)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	<u>\$ 17,795,519</u>	<u>\$ 18,538,018</u>	<u>\$ 19,239,017</u>	<u>\$ 20,057,803</u>
Contributions as a percentage of covered payroll	2.69%	2.57%	2.77%	2.78%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT K
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2019

	December 31,	
	2018	2019
OPEB liability, beginning of year	\$ 34,442,040	\$ 31,346,357
Changes for the year:		
Service cost	738,885	654,736
Interest	1,196,371	1,299,066
Changes of benefit terms	-	(8,106,088)
Differences between actual and expected experience	(4,225,561)	1,767,666
Changes of assumptions or other inputs	-	6,040,596
Benefit payments	(805,378)	(633,104)
OPEB liability, end of year	<u>\$ 31,346,357</u>	<u>\$ 32,369,229</u>
Covered payroll	\$ 18,879,190	\$ 20,168,260
Total OPEB liability as a percentage of covered payroll	166.04%	160.50%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Assumptions and Methodology

Economic Assumptions:

Valuation Date	January 1, 2019.
Disclosure Date	December 31, 2019.
GASB 75 Reporting Date	December 31, 2019
Municipal Bond Date	2.74%, based on the Bond Buyer 20-Bond GO index published on December 27, 2019.
Discount Rate (GASB)	2.74%, compounded annually, for the measurement as of December 31, 2019. 4.1%, compounded annually, for the measurement as of December 31, 2018.
	Based on a tax-exempt, high-quality municipal bond rate.

TOWN OF SALEM, NEW HAMPSHIRE

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY**
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Discount Rate (ADEC) 4.1%, compounded annually, for development of the Actuarially Determined Contribution (ADEC) as of December 31, 2019.

Amortization Method Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.

Health Care Cost Trend Rates

Year	Trend
1	8.00%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
Ultimate	3.90%

Trend rates after year 6 grade down to the ultimate rate utilizing the Society of Actuarial Getzen Medical Trend Model. The ultimate trend rate is reached in 2075.

Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology, and catastrophic claims. The overall effect of these components is expected to decline year by year.

Inflation	2.6% per year, based on the 2019 Social Security Trustees Report.
Participation Rates	Medical – 50% of eligible retirees employees will elect to participate. Medical – 100% of eligible employees retiring as a result of an accidental disability will elect to participate. Dental – None assumed since retirees may elect coverage at their own expense. Life – Not offered to retired employees. Medicare – All retired employees are assumed to enroll in Medicare at age 65.
Dependent Status	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. 90% of employees are assumed to retire with a covered spouse.
Medical Per Capita Costs	For current retired employees, the actual census information is used. The following annual per capita costs are for the fiscal year beginning January 1, 2019 and are applicable to retirees, survivors, and spouses. Annual costs for current and future retirees are based on the blended curve shown below, developed using the plan coverages elected by current retirees and survivors and premium rates currently in effect.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

Future years' costs are based on the first year cost adjusted with trend.

Age	Non-Disabled		Disabled	
	Male	Female	Male	Female
Under 20	\$4,468	\$ 5,254	\$4,566	\$ 5,361
20-24	3,521	5,585	3,598	5,708
25-29	3,664	8,239	3,744	8,420
30-34	4,602	10,410	4,703	10,639
35-39	5,772	10,723	5,899	10,959
40-44	7,193	10,982	7,351	11,224
45-49	9,079	12,054	9,278	12,319
50-54	11,965	14,181	12,228	14,493
55-59	15,548	16,397	15,890	16,758
60-64	19,953	19,515	20,392	19,945
65-69	-	-	4,279	4,168
70-74	-	-	5,129	4,916
75-79	-	-	6,065	5,704
80-84	-	-	6,961	6,542
85-89	-	-	7,754	7,313
90-94	-	-	8,441	7,805
95+	-	-	8,972	7,548

Retiree Contributions

Annual per capita participant contributions for the fiscal year beginning January 1, 2019 are as follows:

Plan	Contribution
Non-Medicare	\$ 10,871
Medicare	5,044

Group II employees who retire under a job-related accidental disability do not contribute toward the premium.

Actuarial Cost Method

Entry Age Normal. The costs of each employee's postemployment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.

Employee Data

Employee and retiree data were submitted by the Town. We made reasonable adjustments for missing or invalid data.

Mortality Rates

Pre-Retirement: RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.

Post-Retirement: RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF SALEM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 31,302,072	\$ 31,801,953	\$ 499,881
Yield	1,000	-	(1,000)
Timber	12,000	12,615	615
Payment in lieu of taxes	70,000	74,700	4,700
Interest and penalties on taxes	256,200	290,702	34,502
Total from taxes	<u>31,641,272</u>	<u>32,179,970</u>	<u>538,698</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	51,050	54,005	2,955
Motor vehicle permit fees	6,300,000	7,107,668	807,668
Building permits	1,071,000	1,524,307	453,307
Other	260,640	304,999	44,359
Total from licenses, permits, and fees	<u>7,682,690</u>	<u>8,990,979</u>	<u>1,308,289</u>
Intergovernmental:			
State:			
Meals and rooms distribution	1,499,657	1,499,657	-
Highway block grant	669,666	668,666	(1,000)
Federal:			
Other	468,179	695,080	226,901
Total from intergovernmental	<u>2,637,502</u>	<u>2,863,403</u>	<u>225,901</u>
Charges for services:			
Income from departments	<u>2,572,452</u>	<u>2,665,818</u>	<u>93,366</u>
Miscellaneous:			
Sale of municipal property	500	26,131	25,631
Interest on investments	15,000	107,911	92,911
Other	955,620	937,203	(18,417)
Total from miscellaneous	<u>971,120</u>	<u>1,071,245</u>	<u>100,125</u>
Other financing sources:			
Transfers in	463,986	495,167	31,181
Bond proceeds	214,200	220,852	6,652
Total other financing sources	<u>678,186</u>	<u>716,019</u>	<u>37,833</u>
Total revenues and other financing sources	<u>46,183,222</u>	<u>\$ 48,487,434</u>	<u>\$ 2,304,212</u>
Unassigned fund balance used to reduce tax rate	1,841,155		
Amounts voted from fund balance	795,000		
Total revenues, other financing sources, and use of fund balance	<u><u>\$ 48,819,377</u></u>		

SCHEDULE 2
TOWN OF SALEM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 369,804	\$ 384,328	\$ -	\$ (14,524)
Election and registration	-	264,719	222,777	-	41,942
Financial administration	3,750	2,179,647	2,089,610	39,859	53,928
Legal	36,828	105,628	222,994	-	(80,538)
Personnel administration	-	1,619,350	1,608,979	-	10,371
Planning and zoning	-	680,367	560,896	-	119,471
General government buildings	7,992	213,656	181,483	36,530	3,635
Cemeteries	1,267	446,026	408,605	2,022	36,666
Insurance, not otherwise allocated	17,410	420,462	380,649	3,761	53,462
Other	277,123	797,096	790,129	36,761	247,329
Total general government	344,370	7,096,755	6,850,450	118,933	471,742
Public safety:					
Police	13,680	12,157,246	11,500,479	8,057	662,390
Fire	68,428	12,607,136	12,292,436	134,078	249,050
Building inspection	-	853,150	850,221	-	2,929
Total public safety	82,108	25,617,532	24,643,136	142,135	914,369
Highways and streets:					
Administration	-	512,088	485,875	25,815	398
Highways and streets	20,154	3,023,704	3,052,932	9,470	(18,544)
Street lighting	5,663	570,142	585,348	6,882	(16,425)
Total highways and streets	25,817	4,105,934	4,124,155	42,167	(34,571)
Sanitation:					
Solid waste disposal	28,095	949,838	1,082,644	-	(104,711)
Health:					
Pest control	-	107,326	108,645	-	(1,319)
Welfare:					
Administration and direct assistance	-	167,166	139,933	-	27,233
Vendor payments and other	-	113,500	113,500	-	-
Total welfare	-	280,666	253,433	-	27,233
Culture and recreation:					
Parks and recreation	-	581,875	532,386	-	49,489
Library	-	1,613,181	1,539,094	-	74,087
Patriotic purposes	-	22,879	23,101	-	(222)
Other	3,303	42,939	51,151	8,311	(13,220)
Total culture and recreation	3,303	2,260,874	2,145,732	8,311	110,134
Debt service:					
Principal of long-term debt	-	626,000	626,000	-	-
Interest on long-term debt	-	59,375	59,375	-	-
Interest on tax anticipation notes	-	1	-	-	1
Other	-	10,750	356	-	10,394
Total debt service	-	696,126	685,731	-	10,395

(Continued)

SCHEDULE 2 (Continued)
TOWN OF SALEM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Encumbered from Prior		Encumbered to Subsequent		Variance Positive (Negative)
	Year	Appropriations	Year	Expenditures	
Capital outlay	31,000	2,723,649	143,297	2,575,251	36,101
Other financing uses:					
Transfers out	-	4,980,677	-	4,980,677	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$514,693</u>	<u>\$ 48,819,377</u>	<u>\$ 454,843</u>	<u>\$ 47,449,854</u>	<u>\$ 1,429,373</u>

SCHEDULE 3
TOWN OF SALEM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$ 11,836,983
Changes:	
Unassigned fund balance used to reduce 2019 tax rate	(1,841,155)
Amounts voted from fund balance	(795,000)
2019 Budget summary:	
Revenue surplus (Schedule 1)	\$ 2,304,212
Unexpended balance of appropriations (Schedule 2)	<u>1,429,373</u>
2019 Budget surplus	3,733,585
Increase in nonspendable fund balance	(123,721)
Decrease in restricted fund balance	20,743
Increase in assigned fund balance (non-encumbrance)	<u>(528,000)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	12,303,435
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>	
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis	(462,905)
Elimination of the allowance for uncollectible taxes	<u>88,352</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	<u><u>\$ 11,928,882</u></u>

SCHEDULE 4
TOWN OF SALEM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds			
	Cable TV	CDBG	Conservation Commission	Fire Outside Details
ASSETS				
Cash and cash equivalents	\$ 165,199	\$ -	\$ 1,010,479	\$ 16,306
Investments	-	-	-	-
Accounts receivable, net of allowance for uncollectable	130,474	-	-	7,166
Due from other governments	-	-	-	-
Total assets	\$ 295,673	\$ -	\$ 1,010,479	\$ 23,472
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable	\$ 9,616	\$ 484	\$ -	\$ -
Accrued salaries and benefits	7,128	-	-	2,208
Interfund payable	-	-	-	-
Total liabilities	16,744	484	-	2,208
Fund balances (deficit):				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	278,929	-	1,010,479	21,264
Unassigned	-	(484)	-	-
Total fund balances (deficit)	278,929	(484)	1,010,479	21,264
Total liabilities and fund balances	\$ 295,673	\$ -	\$ 1,010,479	\$ 23,472

Special Revenue Funds

		Police					
Grants and Donations	Police Forfeiture	Outside Details	Recreation	Library	Developer Escrows	Permanent Fund	Total
\$ 36,000	\$ 109,268	\$ 194,839	\$ 183,055	\$ 71,211	\$ 710,852	\$ 28,081	\$ 2,525,290
-	-	-	-	-	-	555,116	555,116
-	-	319,422	-	-	-	-	457,062
10,000	-	-	-	-	-	-	10,000
\$ 46,000	\$ 109,268	\$ 514,261	\$ 183,055	\$ 71,211	\$ 710,852	\$ 583,197	\$ 3,547,468
<hr/>							
\$ 4,325	\$ -	\$ -	\$ 1,995	\$ -	\$ -	\$ -	\$ 16,420
-	-	18,570	382	-	-	-	28,288
-	-	-	-	-	-	10,980	10,980
4,325	-	18,570	2,377	-	-	10,980	55,688
<hr/>							
-	-	-	-	-	-	572,217	572,217
41,675	109,268	-	-	71,211	-	-	222,154
-	-	495,691	180,678	-	710,852	-	2,697,893
-	-	-	-	-	-	-	(484)
41,675	109,268	495,691	180,678	71,211	710,852	572,217	3,491,780
\$ 46,000	\$ 109,268	\$ 514,261	\$ 183,055	\$ 71,211	\$ 710,852	\$ 583,197	\$ 3,547,468

SCHEDULE 5
TOWN OF SALEM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	Special Revenue Funds			
	Cable TV	CDBG	Conservation Commission	Fire Details
Revenues:				
Taxes	\$ -	\$ -	\$ 141,000	\$ -
Intergovernmental	-	8,609	-	-
Charges for services	-	-	-	38,419
Miscellaneous	481,815	-	3,215	80
Total revenues	481,815	8,609	144,215	38,499
Expenditures:				
Current:				
General government	530,582	-	-	-
Public safety	-	-	-	38,924
Culture and recreation	-	-	-	-
Conservation	-	-	6,398	-
Capital outlay	-	9,093	-	-
Total expenditures	530,582	9,093	6,398	38,924
Excess (deficiency) of revenues over (under) expenditures	(48,767)	(484)	137,817	(425)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(7,500)	(551)	-	-
Total other financing sources (uses)	(7,500)	(551)	-	-
Net change in fund balances	(56,267)	(1,035)	137,817	(425)
Fund balances, beginning as restated (see Note 20)	335,196	551	872,662	21,689
Fund balances (deficit), ending	\$ 278,929	\$ (484)	\$ 1,010,479	\$ 21,264

Special Revenue Funds

Grants and Donations	Police						Permanent Fund	Total
	Police Forfeiture	Outside Details	Recreation	Library	Developer Escrows			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,000
190,291	-	-	-	-	-	-	-	198,900
-	-	1,564,345	209,852	-	-	-	-	1,812,616
44,531	55,876	682	740	17,023	297,460	104,608	1,006,030	
234,822	55,876	1,565,027	210,592	17,023	297,460	104,608	1,006,030	3,158,546
 15,000	 50,805	 1,410,246	 -	 -	 -	 5,095	 550,677	
153,930	50,805	1,410,246	-	-	321,844	-	1,975,749	
11,380	-	-	201,006	13,977	-	-	226,363	
-	-	-	-	-	-	-	6,398	
39,282	-	-	-	-	-	-	48,375	
219,592	50,805	1,410,246	201,006	13,977	321,844	5,095	2,807,562	
 15,230	 5,071	 154,781	 9,586	 3,046	 (24,384)	 99,513	 350,984	
 12,740	 -	 -	 -	 -	 -	 -	 12,740	
-	-	-	-	-	-	(10,980)	(19,031)	
12,740	-	-	-	-	-	(10,980)	(6,291)	
27,970	5,071	154,781	9,586	3,046	(24,384)	88,533	344,693	
13,705	104,197	340,910	171,092	68,165	735,236	483,684	3,147,087	
\$ 41,675	\$ 109,268	\$ 495,691	\$ 180,678	\$ 71,211	\$ 710,852	\$ 572,217	\$ 3,491,780	

SCHEDULE 6
TOWN OF SALEM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds			
	Taxes	Trust Funds	Impact Fees	Total
ASSETS				
Cash and cash equivalents	\$ 24,562,662	\$ 222,895	\$ 1,141,879	\$ 25,927,436
LIABILITIES AND NET POSITION				
Liabilities:				
Intergovernmental payables:				
School	24,562,662	-	-	24,562,662
Net Position:				
Unrestricted	-	222,895	1,141,879	1,364,774
Total liabilities and net position	<u>\$ 24,562,662</u>	<u>\$ 222,895</u>	<u>\$ 1,141,879</u>	<u>\$ 25,927,436</u>

SCHEDULE 7
TOWN OF SALEM, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Custodial Funds			
	Taxes	Trust Funds	Impact Fees	Total
Additions:				
Contributions	\$ -	\$ 27,860	\$ 377,998	\$ 405,858
Investment earnings	- -	1,548	-	1,548
Change in fair market value	- -	449,800	-	449,800
Tax collections for other governments	70,320,340	-	-	70,320,340
Total additions	<u>70,320,340</u>	<u>479,208</u>	<u>377,998</u>	<u>71,177,546</u>
Deductions				
Benefits paid	- -	455,000	-	455,000
Payments of taxes to other governments	70,320,340	-	-	70,320,340
Total deductions	<u>70,320,340</u>	<u>455,000</u>	-	<u>70,775,340</u>
Change in net position	- -	24,208	377,998	402,206
Net position, beginning, as restated (see Note 20)	- -	198,687	763,881	962,568
Net position, ending	<u>\$ -</u>	<u>\$ 222,895</u>	<u>\$ 1,141,879</u>	<u>\$ 1,364,774</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Selectmen and Town Manager
Town of Salem
Salem, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salem, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Salem's basic financial statements, and have issued our report thereon dated August 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Salem's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Salem's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

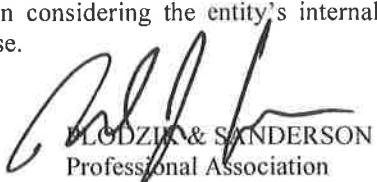
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Salem's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 3, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board of Selectmen and Town Manager
Town of Salem
Salem, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of Salem's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of Salem's major federal program for the year ended December 31, 2019. The Town of Salem's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Salem's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Salem's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Salem's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Town of Salem is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Salem's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem's internal control over compliance.

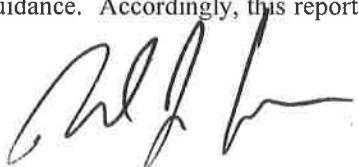
Town of Salem

**Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



PLODZIK & SANDERSON
Professional Association

August 3, 2020

SCHEDULE I
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>Passed Through the New Hampshire Community Development Finance Authority</u>				
Community Development Block Grant/State's Program	14.228	17-201-CDED	\$ -	\$ 8,609
U.S. DEPARTMENT OF JUSTICE				
<u>Passed Through the Rockingham County Sheriff's Office</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	- -	11,138
U.S. DEPARTMENT OF TRANSPORTATION				
<u>Passed Through the State of New Hampshire Department of Transportation</u>				
Highway Planning and Construction:				
NH Route 28/97 Intersection Improvements	20.205	12334	- -	66,452
Rail Trail Phase II	20.205	40432	- -	1,384
Rail Trail Phase VI	20.205	41750	- -	36,034
<i>PROGRAM TOTAL</i>				
<u>Passed Through the New Hampshire Department of Safety</u>				
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety	20.600	19-165	- -	23,964
National Priority Safety Programs	20.616	19-165	- -	13,788
<i>CLUSTER TOTAL</i>				
U.S. ENVIRONMENTAL PROTECTION AGENCY				
<u>Passed Through the New Hampshire Department of Environmental Services</u>				
Capitalization Grants for Drinking Water State Revolving Funds (<i>note 4</i>)	66.468	2051010-01	- -	1,286,542
EXECUTIVE OFFICE OF THE PRESIDENT				
<u>Passed Through the Town of Scarborough, Maine</u>				
High Intensity Drug Trafficking Areas Program	95.001	N/A	- -	22,093
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Passed Through the New Hampshire Department of Safety</u>				
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243	5H79SP080286-02	- -	39,282
DIRECT FUNDING				
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Cross Border Initiative Task Force	16. UNKNOWN	N/A	- -	13,710
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Assistance to Firefighters Grant	97.044	N/A	- -	127,410
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	- -	547,247
<i>Total Expenditures of Federal Awards</i>			\$ -	\$ 2,197,653

The accompanying notes are an integral part of this schedule.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Town of Salem under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Salem, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Salem.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Town of Salem has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Loans Outstanding

The Town of Salem had the following loan balance outstanding at December 31, 2019. The loans made during the year are included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balances at December 31, 2019</i>
66.468	Capitalization Grants for Drinking Water State Revolving Funds	\$2,077,689