

**TOWN OF SALEM,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021**

**TOWN OF SALEM, NEW HAMPSHIRE**  
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# **PLODZIK & SANDERSON**

*Professional Association/Certified Public Accountants*

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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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Salem as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Salem, as of December 31, 2021, and the respective changes in financial position, where applicable cash flows thereof, 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.

#### ***Basis for Opinions***

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

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

The Town of Salem's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Salem's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, twelve months beyond the financial statement date including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

**Town of Salem**  
**Independent Auditor's Report**

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the 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 (NHRS Plan),
- Schedule of Changes in the Town's Net Other Postemployment Benefits Liability and Related Ratios,
- Schedule of Town Contributions – Other Postemployment Benefits (Retiree Health Benefit Plan); 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.

**Supplementary 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.

***Town of Salem  
Independent Auditor's Report***

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 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.

*Sheryl A. Platt, CPA*

December 14, 2022  
Concord, New Hampshire

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, 2021. 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 \$62,875,907 (net position) for the calendar year reported. This is a change of \$4,378,007 in comparison to the prior year, as restated. Of that amount at December 31, 2021, \$(55,906,181) is considered unrestricted (unrestricted net position), a change of \$7,287,466 in comparison to the prior year. The three main factors for this change include the change for the other postemployment benefits (OPEB) liability, the change in the net pension liability, and two long term debt issuances in 2021. 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 \$(55,906,181), a change of \$2,989,844 in comparison to the prior year. The unrestricted net position of business-type activities was \$0, a change of \$4,297,622 in comparison to the prior year.
- The total cost of all Town services for calendar year 2021 was \$63,316,565, as compared to \$62,208,595 the prior year, an increase of \$1,107,970 or 2%. Of the total cost of services, \$55,056,291 was spent on governmental activities (compared to \$56,139,900 in the prior year) and an additional \$8,260,274 was spent on business-type activities consisting of the water and sewer funds (compared to \$6,068,695 in the prior year).
- At December 31, 2021, the Town's governmental funds reported a combined ending balance of \$31,259,800, a change of \$4,287,678 in comparison to prior year, as restated. The Town's business-type activities reported a combined ending fund balance of \$39,911,592, a change of \$1,290,635 in comparison to the prior year.
- At the end of calendar year 2021, unassigned fund balance for the general fund was \$13,950,873, a change of \$2,312,246 in comparison to the prior year.
- Total long-term debt (bonds and notes payable) at the close of the fiscal year 2021 was \$15,721,403, a change of \$8,754,261 in comparison to the prior year. The Town issued three long term bonds/loans in fiscal year 2021.
- 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.

The Town of Salem, NH reports a component unit, the Salem Council on Aging, Inc (SCOA). The SCOA is both a non-profit organization and a Salem Board of Selectmen appointed board that serves as an advisory board to the Salem Senior Services. The SCOA aims to identify the needs of the community's elderly population and available resources to meet such needs; to educate the community at large in the needs of the elderly; to design, promote and implement needed services; and to coordinate with existing local services for the elderly.

### **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 12-13 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. In addition the Town reports a component unit, the Salem Council on Aging, Inc.

*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 14-17 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, Other Post Employment Benefits Trust Fund, 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.

***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 24 of this report.

***Required Supplementary Information***

This management's discussion and analysis and the schedule of the Town's proportionate share of net pension liability, schedule of the town's contributions – pensions, schedule of the Town's proportionate share of the net other postemployment benefits liability, schedule of the Town's contributions – other postemployment benefits, schedule of changes in the Town's net other postemployment benefits liability and related ratios, and schedule of Town contributions other postemployment benefits are presented as required supplementary information and begins on page 58.

***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, and custodial funds are presented in this section of this report beginning on page 66.

**Government-Wide Financial Analysis**

	Summary of Net Position					
	Governmental activities		Business-type activities		Total	
	2021	2020 (restated)	2021	2020 (restated)	2021	2020 (restated)
<b>Assets and deferred outflows:</b>						
Current and other assets	\$ 65,197,992	\$ 31,089,878	\$ 13,260,751	\$ 13,809,438	\$ 78,458,743	\$ 44,899,316
Capital assets	83,067,800	82,217,964	44,984,639	46,438,814	128,052,439	128,656,778
Deferred outflows	22,800,279	23,091,927	222,147	300,373	23,022,426	23,392,300
<b>Total assets and deferred outflows</b>	<b>171,066,071</b>	<b>136,399,769</b>	<b>58,467,537</b>	<b>60,548,625</b>	<b>229,533,608</b>	<b>196,948,394</b>
<b>Liabilities and deferred inflows:</b>						
Current liabilities	33,038,778	2,716,701	2,136,316	12,918,425	35,175,094	15,635,126
Noncurrent liabilities	98,035,866	108,581,970	11,552,621	4,255,871	109,588,487	112,837,841
Deferred inflows	17,027,112	5,224,155	4,867,008	4,753,372	21,894,120	9,977,527
<b>Total liabilities and deferred inflows</b>	<b>148,101,756</b>	<b>116,522,826</b>	<b>18,555,945</b>	<b>21,927,668</b>	<b>166,657,701</b>	<b>138,450,494</b>
<b>Net position:</b>						
Net investment in capital assets	77,517,656	77,527,829	33,207,050	42,918,579	110,724,706	120,446,408
Restricted	1,352,840	1,245,139	6,704,542	-	8,057,382	1,245,139
Unrestricted	(55,906,181)	(58,896,025)	-	(4,297,622)	(55,906,181)	(63,193,647)
<b>Total net position</b>	<b>\$ 22,964,315</b>	<b>\$ 19,876,943</b>	<b>\$ 39,911,592</b>	<b>\$ 38,620,957</b>	<b>\$ 62,875,907</b>	<b>\$ 58,497,900</b>

The largest portion of the Town's total net position (176% 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 (13% 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 \$(55,906,181) ((89% 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, 2021 the Town's share of this liability was \$40.7 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 \$50.2 million as of December 31, 2021. 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.

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 \$4,378,007 during the current calendar year. Governmental activities net position increased by \$3,087,372 or 15% during calendar year 2021. Major components of the increases were 1) the Town's share of the net pension liability, 2) the Town's OPEB liability and 3) the addition of capital assets. Business-type activities increased by \$1,290,635 or 3% during the calendar year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**As of and For the Year Ended December 31, 2021**

**Town of Salem, New Hampshire**

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 2021.

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		2021	2020 (as restated)		
	2021	2020 (as restated)	2021	2020 (as restated)				
<b>Revenues:</b>								
Program:								
Charges for services	\$ 4,758,149	\$ 4,495,161	\$ 8,477,948	\$ 8,011,164	\$ 13,236,097	\$ 12,506,325		
Operating grants and contributions	2,919,858	4,135,610	1,236,619	9,722,541	4,156,477	13,858,151		
Capital grants and contributions	3,314,050	532,449	-	-	3,314,050	532,449		
General:								
Property taxes	32,765,896	32,215,375	-	-	32,765,896	32,215,375		
Motor vehicle permits	7,233,488	7,145,920	-	-	7,233,488	7,145,920		
Other	6,585,366	6,149,342	104,168	(35,579)	6,689,534	6,113,763		
<b>Total revenues</b>	<b>\$ 57,576,807</b>	<b>54,673,857</b>	<b>9,818,735</b>	<b>17,698,126</b>	<b>67,395,542</b>	<b>72,371,983</b>		
<b>Program expenses:</b>								
General government	8,948,405	9,919,578	-	-	8,948,405	9,919,578		
Public safety	28,333,872	30,704,471	-	-	28,333,872	30,704,471		
Highways and streets	14,199,016	13,155,303	-	-	14,199,016	13,155,303		
Sanitation	1,150,290	1,198,064	4,264,377	1,623,615	5,414,667	2,821,679		
Water distribution and treatment	-	-	3,995,897	3,064,481	3,995,897	3,064,481		
Health	24,689	68,553	-	-	24,689	68,553		
Welfare	232,706	211,211	-	-	232,706	211,211		
Culture and recreation/conservation	2,002,810	2,196,857	-	-	2,002,810	2,196,857		
Interest on long-term debt	164,503	66,497	-	-	164,503	66,497		
<b>Total expenses</b>	<b>55,056,291</b>	<b>57,520,534</b>	<b>8,260,274</b>	<b>4,688,096</b>	<b>63,316,565</b>	<b>62,208,630</b>		
Change in net position before transfers	2,520,516	(2,846,677)	1,558,461	13,010,030	4,078,977	10,163,353		
Contributions to permanent fund principal	1,560	4,810	-	-	1,560	4,810		
Contributions to OPEB	(30,000)	(50,000)	(20,000)	-	(50,000)	(50,000)		
Property donation	-	1,130,000	-	-	-	1,130,000		
Principal forgiveness	69,494	60,000	277,976	-	347,470	60,000		
Transfers	525,802	564,645	(525,802)	(564,645)	-	-		
<b>Total change in net position</b>	<b>3,087,372</b>	<b>(1,137,222)</b>	<b>1,290,635</b>	<b>12,445,385</b>	<b>4,378,007</b>	<b>11,308,163</b>		
Net position - beginning of year (as restated) (see note 22)	19,876,943	21,014,165	38,620,957	26,175,572	58,497,900	47,189,737		
<b>Net position - end of year</b>	<b>\$ 22,964,315</b>	<b>\$ 19,876,943</b>	<b>\$ 39,911,592</b>	<b>\$ 38,620,957</b>	<b>\$ 62,875,907</b>	<b>\$ 58,497,900</b>		

### 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 \$31,259,800, an increase of \$4,287,678 or 16% in comparison with the prior year. This increase was primarily due to the general fund and the capital project funds revenues exceeding their respective funds 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 \$13,950,873, a change of \$2,312,246 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	12/31/2021	12/31/2020	Change	% of Total General Fund Expenditures
Unassigned fund balance	13,950,873	11,638,627	2,312,246	31%
Total fund balance	23,083,905	21,014,745	2,069,160	51%

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 \$23,083,905.

### Budgetary Highlights

**The General Fund** – The operating budget was not amended in total appropriations during calendar year 2021, however modifications were made to the allocation of appropriations. The 2021 budget was set to utilize \$2,179,265 of unassigned fund balance to offset authorized expenditures. There was \$54,997 of amortized bond premium that was applied as use of fund balance. Actual expenditures and transfers out were \$2,384,111 lower than budgeted expenditures. Actual revenues including transfers and bond proceeds in were \$3,340,380 higher than budgeted amounts. All of these resulted in a net positive variance to the budget of \$5,724,491.

Most functional areas of revenues exceeded the budgeted amount except for intergovernmental revenues and miscellaneous revenues. Intergovernmental revenues report \$67,037 less than the budgeted amount. Miscellaneous revenues reported \$178,399 less than the budgeted amount. This is mainly due to a reimbursement being budgeted for an expenditure that did not occur in 2021. Taxes exceeded their budgeted amount by \$1,481,222 this is due to interest on taxes exceeding the budget due to a lower collection rate in the prior year and actual taxes exceeding the budgeted amount. Licenses and permits exceeded their budget by \$1,536,048. This was largely due to motor vehicle fees collected were greater than what was anticipated. There was (and continues to be) a considerable amount of development which has translated into more residents/vehicles.

There was a one functional area in which the actual expenditures exceeded the budgeted amounts. Sanitation exceeded its budget due the COVID-19 pandemic. The Town continued to experience greater than usual tonnage during 2021 because of residents working from home and cleaning out their houses. Overall, the Town expended 95% of the 2021 appropriated budget which is greater when compared to 93% in 2020.

### 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, 2021, was \$128,052,439, a change of \$(604,339) from the prior year. This decrease is primarily due to reconstructing roads for less than they were previously constructed. The investment in capital assets includes land, intangible assets, buildings, improvements, infrastructure, equipment and vehicles.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and land improvements	\$ 17,289,686	\$ 17,352,542	\$ 350,000	\$ 350,000	\$ 17,639,686	\$ 17,702,542
Intangible assets	–	–	1,071,000	1,071,000	1,071,000	1,071,000
Construction in progress	3,633,413	–	13,060,812	21,992,820	16,694,225	21,992,820
Buildings and building improvements	3,226,659	3,460,020	2,914,017	2,998,976	6,140,676	6,458,996
Machinery, equipment, and furnishings	5,112,154	5,314,590	2,035,915	2,202,426	7,148,069	7,517,016
Infrastructure	53,805,888	57,471,411	25,552,895	16,442,993	79,358,783	73,914,404
Total	\$ 83,067,800	\$ 83,598,563	\$ 44,984,639	\$ 45,058,215	\$ 128,052,439	\$ 128,656,778

At December 31, 2021, the depreciable capital assets for the Town were 67% depreciated which is 1% lower in comparison to the prior year. This comparison indicates that the Town is replacing depreciable capital assets at a slightly greater rate than they are depreciating.

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

Capital asset additions

Infrastructure

South Broadway sewer pipe replacement	\$ 6,920,283
South Broadway water pipe replacement	2,876,604
Road Reconstruction - Manor Pky	755,790
Road Reconstruction - Old Farm Rd	632,817
Road Reconstruction - Lemay Dr	514,041
Road Reconstruction - Twinrbook Ave	374,785
Mill and overlay - Shannon Rd	503,302
West Duston Rd Water Pipe	304,892
West Duston Rd Sewer Pipe	264,610
Mill and overlay - Colleen Dr	127,883

Construction in Process

Depot Reconstruction	\$ 2,753,643
SNHRW Water Main and PRV Stations	864,879

Additional information of the Town's capital assets can be found in Note 9 to the financial statements.

**Long-term Debt**

At December 31, 2021 the Town had total bonds and notes outstanding of \$15,721,403. Of this amount, \$4,276,360 was governmental activities debt and \$11,445,043 was business-type debt. During fiscal year 2021 the Town issued two SRF loans with the State of New Hampshire and one bond. One loan was for replacing a 100 year old water main with a new 12" diameter ductile iron water main. Another loan was for replacing failing infrastructure along a 1.6 mile segment of a major road. This project installed a 24" diameter sewer interceptor and replaced an undersized box culvert. The new culvert is more than double the size of the old box culvert. The bond was for financing water and sewer improvements to the Town's West Duson Road neighborhood. A summary of outstanding debt as of December 31, 2021, was as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Bridge construction	\$ 642,000	\$ 903,000	\$ -	\$ -	\$ 642,000	\$ 903,000
Land acquisition	2,260,000	2,545,000	-	-	2,260,000	2,545,000
Drinking water capacity rights	120,000	160,000	480,000	640,000	600,000	800,000
South Broadway infrastructure	1,254,360	-	7,612,294	-	8,866,654	-
Water main improvements	-	-	923,000	1,217,000	923,000	1,217,000
Water system improvements	-	-	1,249,749	1,502,142	1,249,749	1,502,142
West Duston improvements	-	-	1,180,000	-	1,180,000	-
<b>Total</b>	<b>\$ 4,276,360</b>	<b>\$ 3,608,000</b>	<b>\$ 11,445,043</b>	<b>\$ 3,359,142</b>	<b>\$ 15,721,403</b>	<b>\$ 6,967,142</b>

Total long-term bonds and notes outstanding at December 31, 2021 increased by \$8,754,261 or 125% from December 31, 2020 due to three new debt issuance in 2021. The Town's bonds are rated AAA by Standard & Poor. Additional information on the Town's long-term debt can be found in Note 16 to the financial statements.

#### **Economic Factors and Current Conditions**

In fiscal year 2022 the Town voted to use \$5 million in unassigned fund balance to offset the tax rate. It is expected that the Town's unassigned fund balance in the general fund will intentionally decrease in 2022. There were many open positions throughout fiscal year 2022 so the impact to unassigned fund balance may not be as large as originally planned.

#### **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, 2021*

	Governmental Activities	Business-type Activities	Total	Component Unit Salem Council on Aging Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 57,726,589	\$ 7,522,180	\$ 65,248,769	\$ 708,710
Investments	921,264	-	921,264	-
Taxes receivables (net)	3,025,580	-	3,025,580	-
Account receivables (net)	1,396,499	449,313	1,845,812	9,714
Special assessments	-	4,594,631	4,594,631	-
Intergovernmental receivable	1,706,542	692,557	2,399,099	-
Prepaid items	263,494	2,070	265,564	-
Tax deeded property, subject to resale	158,024	-	158,024	-
Capital assets:				
Land and construction in progress	17,503,324	14,481,812	31,985,136	-
Other capital assets, net of depreciation	65,564,476	30,502,827	96,067,303	-
Total assets	<u>148,265,792</u>	<u>58,245,390</u>	<u>206,511,182</u>	<u>718,424</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Amounts related to pensions	8,056,314	150,123	8,206,437	-
Amounts related to other postemployment benefits	14,743,965	72,024	14,815,989	-
Total deferred outflows of resources	<u>22,800,279</u>	<u>222,147</u>	<u>23,022,426</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	2,521,020	421,290	2,942,310	500
Accrued salaries and benefits	530,700	22,750	553,450	-
Contracts payable	14,671	-	14,671	-
Retainage payable	86,922	99,945	186,867	-
Accrued interest payable	63,330	143,745	207,075	-
Intergovernmental payable	28,501,708	6,902	28,508,610	-
Other	38,904	-	38,904	-
Long-term liabilities:				
Due within one year	1,281,523	1,441,684	2,723,207	-
Due in more than one year	98,035,866	11,552,621	109,588,487	-
Total liabilities	<u>131,074,644</u>	<u>13,688,937</u>	<u>144,763,581</u>	<u>500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	114,197	-	114,197	-
Unavailable revenue - grants	1,559,405	-	1,559,405	-
Unavailable revenue - special assessments	-	4,594,631	4,594,631	-
Unavailable revenue - received in advance	35,498	10,694	46,192	-
Amounts related to pensions	13,558,196	252,647	13,810,843	-
Amounts related to other postemployment benefits	1,759,816	9,036	1,768,852	-
Total deferred inflows of resources	<u>17,027,112</u>	<u>4,867,008</u>	<u>21,894,120</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	77,517,656	33,207,050	110,724,706	-
Restricted	1,352,840	6,704,542	8,057,382	717,924
Unrestricted	<u>(55,906,181)</u>	-	<u>(55,906,181)</u>	<u>-</u>
Total net position	<u>\$ 22,964,315</u>	<u>\$ 39,911,592</u>	<u>\$ 62,875,907</u>	<u>\$ 717,924</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, 2021*

	Program Revenues				Net (Expense) Revenue and Change in Net Position			Component Unit Salem Council on Aging Inc.
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	
	Expenses							
<b>Governmental activities:</b>								
General government	\$ 8,948,405	\$ 458,739	\$ -	\$ -	\$ (8,489,666)	\$ -	\$ (8,489,666)	\$ -
Public safety	28,333,872	3,693,808	222,074	-	(24,417,990)	-	(24,417,990)	-
Highways and streets	14,199,016	-	1,543,941	3,314,050	(9,341,025)	-	(9,341,025)	-
Sanitation	1,150,290	525,084	-	-	(625,206)	-	(625,206)	-
Health	24,689	-	-	-	(24,689)	-	(24,689)	-
Welfare	232,706	7,325	-	-	(225,381)	-	(225,381)	-
Culture and recreation	1,931,846	73,193	1,153,843	-	(704,810)	-	(704,810)	-
Conservation	70,964	-	-	-	(70,964)	-	(70,964)	-
Interest on long-term debt	164,503	-	-	-	(164,503)	-	(164,503)	-
Total governmental activities	<u>55,056,291</u>	<u>4,758,149</u>	<u>2,919,858</u>	<u>3,314,050</u>	<u>(44,064,234)</u>	<u>-</u>	<u>(44,064,234)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water	3,995,897	4,437,951	1,236,619	-	-	1,678,673	1,678,673	-
Sewer	4,264,377	4,039,997	-	-	-	(224,380)	(224,380)	-
Total business-type activities	<u>8,260,274</u>	<u>8,477,948</u>	<u>1,236,619</u>	<u>-</u>	<u>-</u>	<u>1,454,293</u>	<u>1,454,293</u>	<u>-</u>
Total	<u><u>\$ 63,316,565</u></u>	<u><u>\$ 13,236,097</u></u>	<u><u>\$ 4,156,477</u></u>	<u><u>\$ 3,314,050</u></u>	<u><u>(44,064,234)</u></u>	<u><u>1,454,293</u></u>	<u><u>(42,609,941)</u></u>	<u><u>-</u></u>
<b>Component unit:</b>								
Salem Council on Aging	<u>\$ 9,325</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(8,931)</u>	<u>-</u>
General revenues:								
Taxes:								
Property					32,765,896	-	32,765,896	-
Other					381,368	-	381,368	-
Motor vehicle permit fees					7,233,488	-	7,233,488	-
Licenses and other fees					2,246,875	-	2,246,875	-
Grants and contributions not restricted to specific programs					2,389,823	-	2,389,823	-
Unrestricted investment earnings					202,515	(391,736)	(189,221)	1,075
Miscellaneous					1,364,785	495,904	1,860,689	112,462
Total general revenues					<u>46,584,750</u>	<u>104,168</u>	<u>46,688,918</u>	<u>113,537</u>
Contributions to permanent funds					1,560	-	1,560	-
Contributions to OPEB trust					(30,000)	(20,000)	(50,000)	-
Principal forgiveness					69,494	277,976	347,470	-
Transfers					525,802	(525,802)	-	-
Total general revenues, contributions, and transfers					<u>47,151,606</u>	<u>(163,658)</u>	<u>46,987,948</u>	<u>113,537</u>
Change in net position					<u>3,087,372</u>	<u>1,290,635</u>	<u>4,378,007</u>	<u>104,606</u>
Net position, beginning, as restated (see Note 22)					<u>19,876,943</u>	<u>38,620,957</u>	<u>58,497,900</u>	<u>613,318</u>
Net position, ending					<u><u>\$ 22,964,315</u></u>	<u><u>\$ 39,911,592</u></u>	<u><u>\$ 62,875,907</u></u>	<u><u>\$ 717,924</u></u>

**EXHIBIT C-1**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Governmental Funds*  
*Balance Sheet*  
*December 31, 2021*

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 44,703,110	\$ -	\$ 8,799,940	\$ 53,503,050
Investments	149,726	-	771,538	921,264
Receivables, net of allowance for uncollectible:				
Taxes	3,118,987	-	-	3,118,987
Accounts	1,029,493	-	367,006	1,396,499
Intergovernmental receivable	14,676	1,651,554	40,312	1,706,542
Interfund receivable	1,166,808	900,628	-	2,067,436
Voluntary tax liens	103,869	-	-	103,869
Voluntary tax liens reserved until collected	(103,869)	-	-	(103,869)
Prepaid items	263,494	-	-	263,494
Tax deeded property, subject to resale	158,024	-	-	158,024
Restricted assets:				
Cash and cash equivalents	4,223,539	-	-	4,223,539
Total assets	<u>\$ 54,827,857</u>	<u>\$ 2,552,182</u>	<u>\$ 9,978,796</u>	<u>\$ 67,358,835</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,432,458	\$ 1,067,218	\$ 21,344	\$ 2,521,020
Accrued salaries and benefits	507,254	-	23,446	530,700
Contracts payable	14,671	-	-	14,671
Retainage payable	-	86,922	-	86,922
Intergovernmental payable	28,501,708	-	-	28,501,708
Interfund payable	470,688	1,135,351	461,397	2,067,436
Other	38,904	-	-	38,904
Total liabilities	<u>30,965,683</u>	<u>2,289,491</u>	<u>506,187</u>	<u>33,761,361</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Property taxes	702,253	-	-	702,253
Unavailable revenue - received in advance	35,498	-	-	35,498
Bond premiums	40,518	-	-	40,518
Unavailable revenue - grants	-	-	1,559,405	1,559,405
Total deferred inflows of resources	<u>778,269</u>	<u>-</u>	<u>1,559,405</u>	<u>2,337,674</u>
<b>FUND BALANCES</b>				
Nonspendable	421,518	-	534,307	955,825
Restricted	62,229	262,691	818,533	1,143,453
Committed	3,518,910	-	6,560,364	10,079,274
Assigned	5,130,375	-	-	5,130,375
Unassigned	13,950,873	-	-	13,950,873
Total fund balances	<u>23,083,905</u>	<u>262,691</u>	<u>7,913,204</u>	<u>31,259,800</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,827,857</u>	<u>\$ 2,552,182</u>	<u>\$ 9,978,796</u>	<u>\$ 67,358,835</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, 2021**

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

Total fund balances of governmental funds (Exhibit C-1) \$ 31,259,800

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

Cost	\$ 262,882,446
Less accumulated depreciation	<u>(179,814,646)</u>
	83,067,800

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the post-retirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.

Deferred outflows of resources related to pensions	\$ 8,056,314
Deferred inflows of resources related to pensions	(13,558,196)
Deferred outflows of resources related to OPEB	14,743,965
Deferred inflows of resources related to OPEB	<u>(1,759,816)</u>
	7,482,267

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

Receivables	\$ (2,067,436)
Payables	<u>2,067,436</u>

Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.

Deferred property taxes	\$ 588,056
Allowance for uncollectible taxes	<u>(93,407)</u>
	494,649

Other long-term items are not available to pay for current period expenditures, and therefore, are reported as deferred inflows of resources in the governmental funds.

40,518

Interest on long-term debt is not accrued in governmental funds.

Accrued interest payable	(63,330)
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Long-term liabilities that are not due and payable in the current period, therefore, are not reported in the governmental funds.

Bonds	\$ 4,276,360
Unamortized bond premium	332,296
Capital leases	941,488
Compensated absences	3,508,854
Accrued landfill postclosure care costs	474,000
Net pension liability	39,963,814
Other postemployment benefits	<u>49,820,577</u>
	<u>(99,317,389)</u>

Net position of governmental activities (Exhibit A)

\$ 22,964,315

**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, 2021*

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 33,488,511	\$ -	\$ 1,900	\$ 33,490,411
Licenses and permits	9,461,613	-	-	9,461,613
Intergovernmental	3,041,819	3,056,527	656,962	6,755,308
Charges for services	3,037,660	-	1,830,275	4,867,935
Miscellaneous	1,379,650	-	1,966,072	3,345,722
Total revenues	<u>50,409,253</u>	<u>3,056,527</u>	<u>4,455,209</u>	<u>57,920,989</u>
<b>EXPENDITURES</b>				
Current:				
General government	8,401,643	-	511,250	8,912,893
Public safety	26,058,793	-	2,054,399	28,113,192
Highways and streets	3,952,152	4,292,924	-	8,245,076
Sanitation	1,133,462	-	-	1,133,462
Health	24,689	-	-	24,689
Welfare	237,242	-	-	237,242
Culture and recreation	1,924,402	-	123,098	2,047,500
Conservation	-	-	12,234	12,234
Debt service:				
Principal	678,427	-	-	678,427
Interest	194,283	-	-	194,283
Capital outlay	<u>2,904,103</u>	<u>3,561,603</u>	<u>438,527</u>	<u>6,904,233</u>
Total expenditures	<u>45,509,196</u>	<u>7,854,527</u>	<u>3,139,508</u>	<u>56,503,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,900,057</u>	<u>(4,798,000)</u>	<u>1,315,701</u>	<u>1,417,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	618,095	5,195,047	-	5,813,142
Transfers out	(4,406,829)	-	(910,511)	(5,317,340)
Bond proceeds	-	1,416,281	-	1,416,281
Capital lease	957,837	-	-	957,837
Total other financing sources (uses)	<u>(2,830,897)</u>	<u>6,611,328</u>	<u>(910,511)</u>	<u>2,869,920</u>
Net change in fund balances	2,069,160	1,813,328	405,190	4,287,678
Fund balances (deficit), beginning, as restated (see Note 22)	<u>21,014,745</u>	<u>(1,550,637)</u>	<u>7,508,014</u>	<u>26,972,122</u>
Fund balances, ending	<u>\$ 23,083,905</u>	<u>\$ 262,691</u>	<u>\$ 7,913,204</u>	<u>\$ 31,259,800</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, 2021**

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

Net change in fund balances of governmental funds (Exhibit C-3)	\$ 4,287,678
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	\$ 8,707,733
Depreciation expense	<u>(8,655,129)</u>
	52,604
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(583,367)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.	
Transfers in	\$(5,287,340)
Transfers out	<u>5,287,340</u>
Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.	
Change in deferred tax revenue	\$ (377,600)
Change in allowance for uncollectible taxes	<u>34,978</u>
	(342,622)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Repayment of bond and other debt principal is an expenditures in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	
Proceeds of debt	\$(1,416,281)
Inception of capital leases	(957,837)
Repayment of bond principal	747,921
Repayment of capital leases	711,190
Amortization of bond premium	<u>39,079</u>
	(875,928)
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	\$ (9,299)
Decrease in compensated absences payable	255,057
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	2,447,190
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(2,149,941)</u>
	549,007
Change in net position of governmental activities (Exhibit B)	<u><u>\$ 3,087,372</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, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 31,664,667	\$ 33,145,889	\$ 1,481,222
Licenses and permits	7,925,565	9,461,613	1,536,048
Intergovernmental	3,108,856	3,041,819	(67,037)
Charges for services	2,458,907	3,037,660	578,753
Miscellaneous	1,392,595	1,214,196	(178,399)
Total revenues	<u>46,550,590</u>	<u>49,901,177</u>	<u>3,350,587</u>
<b>EXPENDITURES</b>			
Current:			
General government	8,195,528	8,052,401	143,127
Public safety	27,120,021	25,885,449	1,234,572
Highways and streets	4,115,144	3,841,191	273,953
Sanitation	1,037,318	1,132,594	(95,276)
Health	101,005	24,689	76,316
Welfare	281,149	237,242	43,907
Culture and recreation	2,286,101	1,921,140	364,961
Debt service:			
Principal	708,500	678,427	30,073
Interest	266,766	194,283	72,483
Capital outlay	1,485,948	1,245,953	239,995
Total expenditures	<u>45,597,480</u>	<u>43,213,369</u>	<u>2,384,111</u>
Excess of revenues over expenditures	<u>953,110</u>	<u>6,687,808</u>	<u>5,734,698</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	553,302	618,095	64,793
Transfers out	(3,760,677)	(3,760,677)	-
Bond proceeds	75,000	-	(75,000)
Total other financing sources (uses)	<u>(3,132,375)</u>	<u>(3,142,582)</u>	<u>(10,207)</u>
Net change in fund balances	<u><u>\$ (2,179,265)</u></u>	<u><u>3,545,226</u></u>	<u><u>\$ 5,724,491</u></u>
Increase in nonspendable fund balance		(185,445)	
Decrease in restricted fund balance		20,743	
Increase in committed fund balance		(1,410,900)	
Unassigned fund balance, beginning		12,475,898	
Unassigned fund balance, ending		<u><u>\$ 14,445,522</u></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, 2021**

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,520,145	\$ 4,002,035	\$ 7,522,180
Receivables, net of allowance for uncollectible:			
Accounts	255,431	193,882	449,313
Special assessments	1,883,722	2,710,909	4,594,631
Intergovernmental	692,557	-	692,557
Welfare liens	-	15,340	15,340
Welfare liens reserved until collected	-	(15,340)	(15,340)
Prepaid items	2,070	-	2,070
Capital assets:			
Land and construction in progress	14,481,812	-	14,481,812
Other capital assets, net of depreciation	19,103,030	11,399,797	30,502,827
Total assets	<u>39,938,767</u>	<u>18,306,623</u>	<u>58,245,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	133,931	16,192	150,123
Amounts related to other postemployment benefits	70,098	1,926	72,024
Total deferred outflows of resources	<u>204,029</u>	<u>18,118</u>	<u>222,147</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	401,268	20,022	421,290
Accrued salaries and benefits	19,783	2,967	22,750
Retainage payable	93,877	6,068	99,945
Accrued interest payable	57,022	86,723	143,745
Intergovernmental	-	6,902	6,902
Long term liabilities:			
Due within one year	1,105,327	336,357	1,441,684
Due in more than one year	6,074,202	5,478,419	11,552,621
Total liabilities	<u>7,751,479</u>	<u>5,937,458</u>	<u>13,688,937</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	1,883,722	2,710,909	4,594,631
Unavailable revenue - prepaid rents	10,694	-	10,694
Amounts related to pensions	225,397	27,250	252,647
Amounts related to other postemployment benefits	8,715	321	9,036
Total deferred inflows of resources	<u>2,128,528</u>	<u>2,738,480</u>	<u>4,867,008</u>
<b>NET POSITION</b>			
Net investment in capital assets	27,537,283	5,669,767	33,207,050
Restricted	<u>2,725,506</u>	<u>3,979,036</u>	<u>6,704,542</u>
Total net position	<u><u>\$ 30,262,789</u></u>	<u><u>\$ 9,648,803</u></u>	<u><u>\$ 39,911,592</u></u>

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

**EXHIBIT E-2**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
<b>Operating revenues:</b>			
User charges	\$ 3,172,339	\$ 2,876,889	\$ 6,049,228
Other sales	1,158,937	1,149,997	2,308,934
Fees and interest	16,311	13,033	29,344
Miscellaneous	90,364	78	90,442
<b>Total operating revenues</b>	<b>4,437,951</b>	<b>4,039,997</b>	<b>8,477,948</b>
<b>Operating expenses:</b>			
Salaries and wages	1,208,093	246,694	1,454,787
Operation and maintenance	1,112,530	315,960	1,428,490
Contractual services	848,946	3,356,142	4,205,088
Materials and supplies	102,159	10,391	112,550
Depreciation and amortization	724,169	335,190	1,059,359
<b>Total operating expenses</b>	<b>3,995,897</b>	<b>4,264,377</b>	<b>8,260,274</b>
<b>Operating income (loss)</b>	<b>442,054</b>	<b>(224,380)</b>	<b>217,674</b>
<b>Nonoperating revenue (expense):</b>			
Intergovernmental revenues	1,236,619	-	1,236,619
Interest income	3,315	2,704	6,019
Interest expense	(151,904)	(245,851)	(397,755)
Other	169,205	326,699	495,904
<b>Total nonoperating revenues (expense)</b>	<b>1,257,235</b>	<b>83,552</b>	<b>1,340,787</b>
<b>Other financing sources (uses):</b>			
Transfers out	(286,722)	(259,080)	(545,802)
Principal forgiveness	-	277,976	277,976
<b>Total other financing sources (uses)</b>	<b>(286,722)</b>	<b>18,896</b>	<b>(267,826)</b>
<b>Change in net position</b>	<b>1,412,567</b>	<b>(121,932)</b>	<b>1,290,635</b>
<b>Net position, beginning, as restated (see Note 22)</b>	<b>28,850,222</b>	<b>9,770,735</b>	<b>38,620,957</b>
<b>Net position, ending</b>	<b>\$30,262,789</b>	<b>\$ 9,648,803</b>	<b>\$ 39,911,592</b>

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, 2021**

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 4,061,101	\$ 3,785,124	\$ 7,846,225
Payments to employees for salaries and benefits	(1,281,987)	(375,652)	(1,657,639)
Payments to suppliers	(2,287,395)	(3,696,345)	(5,983,740)
Net cash provided by (used for) operating activities	<u>491,719</u>	<u>(286,873)</u>	<u>204,846</u>
<b>Cash flows from capital and related financing activities:</b>			
Bond proceeds received	3,561,594	6,245,676	9,807,270
Principal paid on capital debt	(994,705)	(237,670)	(1,232,375)
Acquisition and construction of capital assets	(2,658,022)	(4,767,732)	(7,425,754)
Principal paid on bond anticipation notes	(750,000)	(850,000)	(1,600,000)
Bond issuance costs	(16,487)	(17,315)	(33,802)
Interest paid on capital debt	<u>(155,281)</u>	<u>(141,813)</u>	<u>(297,094)</u>
Net cash used by (used for) capital and related financing activities	<u>(1,012,901)</u>	<u>231,146</u>	<u>(781,755)</u>
<b>Cash flows from non-capital financing activities:</b>			
Intergovernmental grants received	544,062	6,902	550,964
Operating transfers out	<u>(286,722)</u>	<u>(259,080)</u>	<u>(545,802)</u>
Net cash used by (used for) non-capital financing activities	<u>257,340</u>	<u>(252,178)</u>	<u>5,162</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>3,315</u>	<u>2,704</u>	<u>6,019</u>
Net decrease in cash and cash equivalents	(260,527)	(305,201)	(565,728)
Cash and cash equivalents, beginning	3,780,672	4,307,236	8,087,908
Cash and cash equivalents, ending	<u>\$ 3,520,145</u>	<u>\$ 4,002,035</u>	<u>\$ 7,522,180</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	<u>\$ 442,054</u>	<u>\$ (224,380)</u>	<u>\$ 217,674</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	724,169	335,190	1,059,359
Decrease in other receivables	(146,991)	(254,873)	(401,864)
(Increase)/Decrease in prepaid items	1,450	(380)	1,070
Decrease in deferred outflows of resources	(68,366)	(9,860)	(78,226)
Increase in accounts payable	(225,210)	(13,472)	(238,682)
Increase in accrued salaries and benefits	(5,528)	(2,879)	(8,407)
Decrease in deferred inflows of resources	<u>(229,859)</u>	<u>(116,219)</u>	<u>(346,078)</u>
Total adjustments	<u>49,665</u>	<u>(62,493)</u>	<u>(12,828)</u>
Net cash provided by (used for) operating activities	<u>\$ 491,719</u>	<u>\$ (286,873)</u>	<u>\$ 204,846</u>

**EXHIBIT F-1**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
***Fiduciary Funds***  
***Statement of Fiduciary Net Position***  
***December 31, 2021***

	Private Purpose Trust Funds	Other Postemployment Trust Fund	All Custodial Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 79,974	\$ 297	\$ 3,024,603
Investments	1,930,425	104,121	-
Intergovernmental receivable	-	-	28,444,875
Total assets	<u>2,010,399</u>	<u>104,418</u>	<u>31,469,478</u>
<b>LIABILITIES</b>			
Intergovernmental payables:			
School	-	-	28,444,875
Due to others	19,250	-	-
Total liabilities	<u>19,250</u>	<u>-</u>	<u>28,444,875</u>
<b>NET POSITION</b>			
Restricted	<u>\$ 1,991,149</u>	<u>\$ 104,418</u>	<u>\$ 3,024,603</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 Fiduciary Net Position***  
***For the Fiscal Year Ended December 31, 2021***

	Private Purpose Trust Funds	Other Postemployment Trust Fund	All Custodial Funds
<b>ADDITIONS</b>			
Contributions	\$ -	\$ 50,000	\$ -
Investment earnings	28,990	6,358	335
Motor vehicle registration fees	-	-	1,999,634
Change in fair market value	252,140	(1,737)	-
Tax collections for other governments	-	-	69,196,662
Other	-	-	703,415
Total additions	<u>281,130</u>	<u>54,621</u>	<u>71,900,046</u>
<b>DEDUCTIONS</b>			
Benefits paid	23,183	-	-
Administrative expenses	4,310	203	-
Payments of taxes to other governments	-	-	69,602,007
Payments of motor vehicle fees to State	-	-	1,999,634
Payments for escrow purposes	-	-	318,674
Total deductions	<u>27,493</u>	<u>203</u>	<u>71,920,315</u>
Net increase (decrease) in fiduciary net position	253,637	54,418	(20,269)
Net position, beginning	<u>1,737,512</u>	<u>50,000</u>	<u>3,044,872</u>
Net position, ending	<u>\$1,991,149</u>	<u>\$ 104,418</u>	<u>\$ 3,024,603</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, 2021**

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**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

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**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

***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.

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.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organizations governing board, and (1) the Town is able to significantly influence the programs or serves performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organizations resources; (3) the Town is legally obligated or otherwise assumed the responsibility to finance the deficits or provide financial support to the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, the Salem Council on Aging Inc. is included as a discretely presented component unit in the Town's financial reporting entity.

**Discretely Presented Component Unit** – The Salem Council on Aging Inc. (the SCOA) is a non-profit organization focused on providing services to the senior citizens of Salem, New Hampshire; to promote, develop and reinforce programs which support and enhance the health, well-being, dignity and independence of senior citizens; to provide services in the areas of education, nutrition, health counseling; recreation, volunteer/job opportunities for senior citizens; to cooperate with and play an active role with other public and private agencies that provide physical, economical, psychological and social services for senior citizens.

***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, and the component unit. 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, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

**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 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.

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 Funds** – 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.

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

The Town reports the following major proprietary funds:

**Water Fund** – accounts for the activities related to the operation of the water treatment plant, wells, and water system which includes water supplied by the Sothern New Hampshire Regional Water Line.

**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.

**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 a private purpose trust, an OPEB 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.

The Town 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.

**OPEB Trust Fund** – Is used to report the trust arrangement for other postemployment benefits under which the principal and income are used to pay for other postemployment benefits.

**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, 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 Restricted Assets**

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation, and/or they are earmarked for a specific purposes.

#### **1-E 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-F 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.

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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. All of the Town's holdings in U.S. government obligations, and corporate bonds would be examples of Level 2 investments.

**Level 3** – Inputs are significant unobservable inputs.

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, 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. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. 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-G 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-H Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The nonspendable fund balance at the governmental fund level includes the amount of prepaid items at year-end to indicate that portion of the governmental fund balance that is nonspendable.

#### **1-I Capital Assets**

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e., easements) 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.

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Capital assets are defined by the Town as assets with an initial, individual cost of more than \$25,000 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. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

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:

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

#### ***1-J 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” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***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.

#### ***1-K 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 19, 2021 and November 5, 2021, and due on July 3, 2021 and December 20, 2021. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2020 on April 12, 2021.

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, 2021 utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 6,461,830,390
Total assessment valuation without utilities	\$ 6,341,557,590

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The tax rates and amounts assessed for the year ended December 31, 2021 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$5.23	\$ 33,867,343
School portion:		
State of New Hampshire	\$1.63	10,311,794
Local	\$8.38	54,133,081
County portion	\$0.74	4,751,787
Total	<u><u>\$15.98</u></u>	<u><u>\$ 103,064,005</u></u>

**1-L 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, 2021.

**1-M 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 (expenses/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 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 and other receivables not collected within 60 days after year-end. Additionally, in the government-wide financial statement the Town reports deferred amounts related to pension and OPEB as well.

**1-N Long-term Obligations**

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

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.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

**Direct Borrowings** – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

**Direct Placements** – financial transactions for the sale of bonds where the Town engages with a single buyer or limited number of buyers without a public offering.

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**Public Offering** – financial transaction for the sale of bonds where the Town engages typically with an investment banker or bond advisor, to sell the debt instrument to the public through public offering. Public offerings are subject to Security Exchange Commission regulations, credit rating and typically are more costly due to underwriting costs, legal and other fees.

**I-O Compensated Absences**

General leave for the Town includes vacation, and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**I-P 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.

**I-Q 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.

**I-R 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 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.

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**1-S 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, inventory or tax deeded property subject to resale); 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 and Town Manager through the budgetary process.

**Unassigned** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government'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.

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 the tax rate setting time.

**1-T 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, taxes and ambulance receivables, and the useful lives and impairment of tangible and intangible

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capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill postclosure care costs, 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.

**1-U Material Change in Classification**

The accompanying financial statements reflect a change in classification from the prior year. Specifically, the impact fees fund which accounts for impact fees collected by the Town did not qualify as a major fund for the current fiscal year. As such it was reclassified to the nonmajor governmental funds.

**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 the major proprietary water and sewer 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 2021, \$2,179,265 of the beginning general fund unassigned fund balance was applied for this purpose.

**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 major governmental fund which had a budget. 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)	\$ 50,519,272
Adjustments:	
Basis differences:	
Inception of capital leases	957,837
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	165,454
recognized as revenue on the GAAP basis, but not on the budgetary basis	342,622
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 51,985,185</u></u>
	<i>(Continued)</i>

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*Budgetary reconciliation to GAAP basis continued:*

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 46,974,046
Adjustments:	
Basis differences:	
Inception of capital leases	957,837
Encumbrances, beginning	1,924,615
Encumbrances, ending	(589,125)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	2,500
To eliminate transfers between general and blended expendable trust funds	(3,760,677)
To recognize transfer between blended expendable trust and other funds	4,406,829
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 49,916,025</u></u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2021, the reported amount of the Town's deposits was \$69,062,353 and the bank balance was \$69,779,146. Of the bank balance \$69,679,855 was covered by federal depository insurance or by collateral held by the pledging bank or pledging bank's trust department in the Town's name, and \$99,291 in the primary government and \$389,431 in the discretely presented component unit was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 65,957,479
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	3,104,874
Total cash and cash equivalents	<u><u>\$ 69,062,353</u></u>

**Custodial Credit Risk** – The Town's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be recovered.

**Interest Rate Risk** – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town's investments.

**NOTE 4 – RESTRICTED ASSETS**

Cash is classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Capital reserve funds	\$ 3,874,015
Health insurance	349.524
Total restricted assets	<u><u>\$ 4,223,539</u></u>

**NOTE 5 – INVESTMENTS**

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Since 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.

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The Town has the following recurring fair value measurements and maturities as of December 31, 2021:

	Valuation Measurement Method	Reported Balance	Less Than 1 Year		Exempt from Disclosure
			1-5 Years		
<b>Investments type:</b>					
Common stock	Level 1	\$ 1,626,595	\$ -	\$ -	\$ 1,626,595
Corporate bonds	Level 2	52,564	50,535	2,029	-
Equity mutual funds	Level 1	363,311	-	-	363,311
Fixed income mutual funds	Level 2	812,209	-	-	812,209
U.S. Treasury bonds	Level 2	101,131	-	101,131	-
Total fair value		<u>\$ 2,955,810</u>	<u>\$ 50,535</u>	<u>\$ 103,160</u>	<u>\$ 2,802,115</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 does not have a formal 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-F. As of December 31, 2021, the Town's investment pool had the following credit risk structure:

Investments Type	Reported Balance	Exempt from Disclosure	Rating as of Year End*	
			Aaa	A-
Common stock	\$ 1,626,595	\$ 1,626,595	\$ -	\$ -
Corporate bonds	52,564	-	-	52,564
Equity mutual funds	363,311	363,311	-	-
Fixed income mutual funds	812,209	812,209	-	-
U.S. Treasury bonds	101,131	-	101,131	-
Total	<u>\$ 2,955,810</u>	<u>\$ 2,802,115</u>	<u>\$ 101,131</u>	<u>\$ 52,564</u>

\*Per Moody's

**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 common stock, equity mutual funds, and fixed income mutual funds. These investments are 55%, 12%, and 27%, respectively, of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 921,264
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	2,034,546
Total investments	<u>\$ 2,955,810</u>

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**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2021. The amount has been reduced by an allowance for an estimated uncollectible amount of \$93,407. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2021	\$2,589,845	\$2,589,845
Unredeemed (under tax lien):		
Levy of 2020	296,712	296,712
Levy of 2019	173,348	173,348
Levies of 2018 and prior	53,658	53,658
Yield	2,940	2,940
Land use change	2,484	2,484
Less: allowance for estimated uncollectible taxes	(93,407) *	-
Net taxes receivable	<u>\$3,025,580</u>	<u>\$3,118,987</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 accrual basis of accounting (Exhibits A and B).

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2021, 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, 2021 for the Town's individual governmental and proprietary major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds				Fiduciary Funds
	General	Capital Projects	Nonmajor	Total	
Receivables:					
Accounts	\$ 2,540,823	\$ -	\$ 387,880	\$ 2,928,703	\$ -
Intergovernmental	14,676	1,651,554	40,312	1,706,542	28,444,875
Special assessments	-	-	-	-	-
Liens	103,869	-	-	-	-
Gross receivables	2,659,368	1,651,554	428,192	4,635,245	28,444,875
Less: allowance for uncollectibles	(1,615,199)	-	(20,874)	(1,636,073)	-
Net total receivables	<u>\$ 1,044,169</u>	<u>\$ 1,651,554</u>	<u>\$ 407,318</u>	<u>\$ 2,999,172</u>	<u>\$ 28,444,875</u>

1. Fiduciary Funds – Intergovernmental receivables represent property taxes collected on behalf of the Salem School District. These amounts are collected and are part of the Town's general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 12.

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*Other receivables continued:*

	Proprietary Funds		Total Proprietary Funds
	Water	Sewer	
Receivables:			
Accounts	\$ 279,044	\$ 214,339	\$ 493,383
Special assessments	1,883,722	2,710,909	4,594,631
Intergovernmental	692,557	-	692,557
Liens	-	15,340	15,340
Gross receivables	2,855,323	2,940,588	5,795,911
Less: allowance for uncollectibles	(23,613)	(35,797)	(59,410)
Net total receivables	<u>\$ 2,831,710</u>	<u>\$ 2,904,791</u>	<u>\$ 5,736,501</u>

**NOTE 8 – PREPAID ITEMS**

Prepaid items at December 31, 2021 consisted of the following:

	Governmental Activities	Business-type Activities
Insurance	\$ 245,145	\$ -
Other	18,349	2,070
Total	<u>\$ 263,494</u>	<u>\$ 2,070</u>

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 13,710,995	\$ 183,255	\$ (24,339)	\$ 13,869,911
Construction in progress	-	3,633,413	-	3,633,413
Total capital assets not being depreciated	<u>13,710,995</u>	<u>3,816,668</u>	<u>(24,339)</u>	<u>17,503,324</u>
Being depreciated:				
Land improvements	4,471,779	-	-	4,471,779
Buildings and building improvements	8,408,192	-	(113,900)	8,294,292
Machinery, equipment, and furnishings	14,566,195	811,907	(376,982)	15,001,120
Infrastructure	217,896,723	4,079,158	(4,363,950)	217,611,931
Total capital assets being depreciated	<u>245,342,889</u>	<u>4,891,065</u>	<u>(4,854,832)</u>	<u>245,379,122</u>
Total all capital assets	<u>259,053,884</u>	<u>8,707,733</u>	<u>(4,879,171)</u>	<u>262,882,446</u>
Less accumulated depreciation:				
Land improvements	(830,232)	(221,772)	-	(1,052,004)
Buildings and building improvements	(4,948,172)	(223,237)	103,776	(5,067,633)
Machinery, equipment, and furnishings	(9,251,605)	(1,011,373)	374,012	(9,888,966)
Infrastructure	(160,425,312)	(7,198,747)	3,818,016	(163,806,043)
Total accumulated depreciation	<u>(175,455,321)</u>	<u>(8,655,129)</u>	<u>4,295,804</u>	<u>(179,814,646)</u>
Net book value, capital assets being depreciated	<u>69,887,568</u>	<u>(3,764,064)</u>	<u>(559,028)</u>	<u>65,564,476</u>
Net book value, all governmental activities capital assets	<u>\$ 83,598,563</u>	<u>\$ 52,604</u>	<u>\$ (583,367)</u>	<u>\$ 83,067,800</u>

*(Continued)*

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*Capital assets continued:*

	Balance, beginning	Additions	Deletions	Balance, ending
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 350,000	\$ -	\$ -	\$ 350,000
Intangible assets	1,071,000	- -	- -	1,071,000
Construction in progress	21,992,820	864,879	(9,796,887)	13,060,812
Total capital assets not being depreciated	<u>23,413,820</u>	<u>864,879</u>	<u>(9,796,887)</u>	<u>14,481,812</u>
Being depreciated:				
Buildings and building improvements	3,569,945	- -	- -	3,569,945
Machinery, equipment, and furnishings	5,688,080	- -	- -	5,688,080
Infrastructure	29,806,786	9,918,251	- -	39,725,037
Total capital assets being depreciated	<u>39,064,811</u>	<u>9,918,251</u>	<u>- -</u>	<u>48,983,062</u>
Total all capital assets	<u>62,478,631</u>	<u>10,783,130</u>	<u>(9,796,887)</u>	<u>63,464,874</u>
Less accumulated depreciation:				
Buildings and building improvements	(570,969)	(84,959)	- -	(655,928)
Machinery, equipment, and furnishings	(3,485,654)	(166,511)	- -	(3,652,165)
Infrastructure	(13,363,793)	(808,349)	- -	(14,172,142)
Total accumulated depreciation	<u>(17,420,416)</u>	<u>(1,059,819)</u>	<u>- -</u>	<u>(18,480,235)</u>
Net book value, capital assets being depreciated	<u>21,644,395</u>	<u>8,858,432</u>	<u>- -</u>	<u>30,502,827</u>
Net book value, all business-type activities capital assets	<u><u>\$ 45,058,215</u></u>	<u><u>\$ 9,723,311</u></u>	<u><u>\$(9,796,887)</u></u>	<u><u>\$ 44,984,639</u></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:

<b>Governmental activities:</b>	
General government	\$ 291,325
Public safety	794,127
Highways and streets	7,478,756
Sanitation	32,191
Culture and recreation	58,730
Total depreciation expense	<u>\$ 8,655,129</u>
<b>Business-type activities:</b>	
Water	\$ 724,629
Sewer	335,190
Total depreciation expense	<u>\$ 1,059,819</u>

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 31,457
Capital project	General	1,606,039
	Nonmajor	429,940
		<u><u>\$ 2,067,436</u></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.

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***Interfund Transfers*** - The composition of interfund transfers for the year ended December 31, 2021 is as follows:

	Transfers In:			
	Capital		Total	Fiduciary Fund
	General Fund	Projects Fund		
Transfers out:				
General fund	\$ -	\$ 4,376,829	\$ 4,376,829	\$ 30,000
Nonmajor fund	92,293	818,218	910,511	-
Water proprietary fund	276,722	-	276,722	10,000
Sewer proprietary fund	249,080	-	249,080	10,000
Total	<u>\$ 618,095</u>	<u>\$ 5,195,047</u>	<u>\$ 5,813,142</u>	<u>\$ 50,000</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 11 – ACCRUED LIABILITIES**

Accrued liabilities reported at December 31, 2021, were as follows:

	Governmental Funds		Proprietary Funds		Total
	General	Nonmajor	Water	Sewer	
Salary and wages	\$ 452,688	\$ 23,446	\$ 19,783	\$ 2,967	\$ 498,884
Employee benefits	54,566	-	-	-	54,566
Total accrued liabilities	<u>\$ 507,254</u>	<u>\$ 23,446</u>	<u>\$ 19,783</u>	<u>\$ 2,967</u>	<u>\$ 553,450</u>

**NOTE 12 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2021 consist of the following:

	Governmental		
	Business-type Activities	Funds General	Fiduciary Funds
Various fees due to the State of New Hampshire	\$ -	\$ 33,121	\$ -
Property taxes due to the custodial funds	- <sup>2</sup>	28,444,875	-
Property taxes due to the Salem School District	- <sup>3</sup>	-	28,444,875
Amounts due to the State of New Hampshire (unissued state revolving loan)	6,902	23,712	-
Total intergovernmental payables due	<u>\$ 6,902</u>	<u>\$ 28,501,708</u>	<u>\$ 28,444,875</u>

2. Property taxes due to the custodial funds represent amounts collected by the Town on behalf of the Salem School District and are reported as a component of general fund cash at year-end.
3. Property taxes due to the Salem School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an aged schedule in the next calendar year.

**NOTE 13 – DEFERRED OUTFLOWS/INFLows OF RESOURCES**

Deferred outflows of resources are as follows:

	Governmental		Business-type		Proprietary Funds	
	Activities	Activities	Activities	Water	Sewer	Total
Amounts related to pensions, see Note 17	\$ 8,056,314	\$ 150,123	\$ 133,931	\$ 16,192	\$ 150,123	
Amounts related to OPEB, see Note 18	14,743,965	72,024	70,098	1,926	72,024	
Total deferred outflows of resources	<u>\$ 22,800,279</u>	<u>\$ 222,147</u>	<u>\$ 204,029</u>	<u>\$ 18,118</u>	<u>\$ 222,147</u>	

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Deferred inflows of resources are as follows:

	Governmental Activities	Governmental Funds		
		General	Nonmajor	Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 588,056	\$ -	\$ 588,056
Property taxes collected in advance of warrants being issued	114,197	114,197	-	114,197
Rent payments received in advance	35,498	35,498	-	35,498
Bond premiums amortized over the life of the bond	-	40,518	-	40,518
Grant revenue collected in advance of eligible expenditures being made	1,559,405	-	1,559,405	1,559,405
Amounts related to pensions, see Note 17	13,558,196	-	-	-
Amounts related to OPEB, see Note 18	1,759,816	-	-	-
Total deferred inflows of resources	<u>\$ 17,027,112</u>	<u>\$ 778,269</u>	<u>\$ 1,559,405</u>	<u>\$ 2,337,674</u>
	Business-type Activities	Proprietary Funds		
		Water	Sewer	Total
Betterment assessments not currently available	\$ 4,594,631	\$ 1,883,722	\$ 2,710,909	\$ 4,594,631
Water rents received in advance of warrants being issued	10,694	10,694	-	10,694
Amounts related to pensions, see Note 17	252,647	225,397	27,250	252,647
Amounts related to OPEB, see Note 18	9,036	8,715	321	9,036
Total deferred inflows of resources	<u>\$ 4,867,008</u>	<u>\$ 2,128,528</u>	<u>\$ 2,738,480</u>	<u>\$ 4,867,008</u>

**NOTE 14 – LEASE OBLIGATIONS**

**Capital Leases** - 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, 2021
Capital lease obligations:		
Fire pumper	1.98%	\$ 302,943
Multiple vehicles & equipment (2021)	0.98%	638,545
Total capital lease obligations		<u>\$ 941,488</u>

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

	Governmental Activities
Equipment:	
Fire pumper	\$ 750,221
Multiple vehicles & equipment (2021)	957,837
Total equipment	1,708,058
Less: accumulated depreciation	58,526
Total capital lease equipment	<u>\$ 1,649,532</u>

The annual requirements to amortize the capital leases payable as of December 31, 2021, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2022	\$ 479,177
2023	479,179
Total requirements	958,356
Less: interest	16,868
Present value of remaining payments	<u>\$ 941,488</u>

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

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**Operating Leases** – The Town subleases certain office buildings to businesses and other governmental agencies. The Town received \$410,388 in sublease rental income through the year ending December 31, 2021.

**NOTE 15 – SHORT-TERM DEBT**

Changes in the Town's short-term capital borrowings during the year ended December 31, 2021 consisted of the following:

Business-type Activities	Original Issue	Interest Rate	Balance			Balance December 31, 2021
			January 1, 2021	Additions	Deletions	
Bond anticipation note	\$ 1,600,000	1.25%	\$ 1,600,000	\$ -	\$(1,600,000)	\$ -

The purpose of the short-time borrowings was to provide for interim financing for various capital improvement projects.

**NOTE 16 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2021:

	Balance		Balance		Due Within One Year	Due In More Than One Year		
	January 1, 2021	Additions	Reductions	December 31, 2021				
<b>Governmental activities:</b>								
Bonds payable:								
Direct placements	\$ -	\$ 1,416,281	\$ (161,921)	\$ 1,254,360	\$ 317,019	\$ 937,341		
Public offerings	3,608,000	-	(586,000)	3,022,000	325,000	2,697,000		
Premium	387,294	-	(54,998)	332,296	54,998	277,298		
Total bonds payable	3,995,294	1,416,281	(802,919)	4,608,656	697,017	3,911,639		
Capital leases	694,841	957,837	(711,190)	941,488	467,698	473,790		
Compensated absences	3,763,911	2,395	(257,452)	3,508,854	96,808	3,412,046		
Accrued landfill postclosure care costs	480,000	-	(6,000)	474,000	20,000	454,000		
Net pension liability	58,729,926	-	(18,766,112)	39,963,814	-	39,963,814		
Net other postemployment benefits	42,011,888	8,285,285	(476,596)	49,820,577	-	49,820,577		
Total long-term liabilities	\$ 109,675,860	\$ 10,661,798	\$ (21,020,269)	\$ 99,317,389	\$ 1,281,523	\$ 98,035,866		
<b>Business-type activities:</b>								
Bonds payable:								
Direct placements	\$ 1,222,142	\$ 8,416,252	\$ (986,351)	\$ 8,652,043	\$ 1,101,017	\$ 7,551,026		
Public offerings	2,137,000	1,180,000	(524,000)	2,793,000	280,000	2,513,000		
Premium	161,093	211,018	(39,565)	332,546	60,667	271,879		
Total bonds payable	3,520,235	9,807,270	(1,549,916)	11,777,589	1,441,684	10,335,905		
Compensated absences	126,766	6,445	(3,008)	130,203	-	130,203		
Net pension liability	1,094,390	-	(349,693)	744,697	-	744,697		
Net other postemployment benefits	260,438	100,996	(19,618)	341,816	-	341,816		
Total long-term liabilities	\$ 5,001,829	\$ 9,914,711	\$ (1,922,235)	\$ 12,994,305	\$ 1,441,684	\$ 11,552,621		

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Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2021	Current Portion
<b>Governmental activities:</b>						
Bonds payable:						
Direct placement:						
South Broadway sewer and bridge	\$ 1,416,281	2021	2040	2.00	\$ 1,254,360	\$ 66,019
Public offerings:						
Drinking water capacity	\$ 200,000	2019	2024	1.49	120,000	40,000
Depot land acquisition	\$ 2,830,000	2019	2029	1.96	2,260,000	285,000
Bridge construction/water improvements	\$ 1,418,000	2014	2024	2.00-3.00	420,000	140,000
Bridge construction/water improvements	\$ 1,189,909	2013	2023	3.00	222,000	111,000
Total public offerings					\$ 3,022,000	\$ 576,000
Bond premiums						
Total					\$ 332,296	\$ 54,998
<b>Business-type activities:</b>						
Bonds payable:						
Direct placements:						
Blake Road project	\$ 695,900	2004	2024	3.00-5.00	\$ 105,000	\$ 35,000
Exit 2 water system improvements	\$ 1,509,273	2018	2027	1.51	934,749	149,626
South Boradway water main	\$ 2,883,125	2021	2030	0.81	2,594,812	288,313
South Broadway sewer and bridge	\$ 5,533,127	2021	2040	2.00	5,017,482	264,078
Total direct placements					\$ 8,652,043	\$ 737,017
Public offerings:						
Bridge construction/water improvements	\$ 692,091	2013	2023	3.00	138,000	69,000
Bridge construction/water improvements	\$ 1,900,000	2014	2024	2.00-3.00	555,000	185,000
Water main improvement	\$ 1,110,000	2015	2025	2.00-4.00	440,000	110,000
Drinking water capacity	\$ 800,000	2019	2024	1.49	480,000	160,000
W. Dunston Road	\$ 1,180,000	2021	2031	0.82	1,180,000	120,000
Total public offerings					\$ 2,793,000	\$ 644,000
Bond premiums						
Total					\$ 332,546	\$ 60,667

The annual requirements to amortize all *governmental activities general obligation bonds* outstanding as of December 31, 2021, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Bonds - Direct Placement			Bonds - Public Offerings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 66,019	\$ 25,087	\$ 91,106	\$ 576,000	\$ 118,935	\$ 694,935
2023	66,019	23,767	89,786	576,000	95,155	671,155
2024	66,019	22,447	88,466	465,000	71,375	536,375
2025	66,019	21,126	87,145	285,000	51,925	336,925
2026	66,019	19,806	85,825	280,000	37,800	317,800
2027-2031	330,095	79,223	409,318	840,000	40,600	880,600
2032-2036	330,095	46,214	376,309	-	-	-
2037-2041	264,075	13,204	277,279	-	-	-
Totals	\$ 1,254,360	\$ 250,874	\$ 1,505,234	\$ 3,022,000	\$ 415,790	\$ 3,437,790

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The annual requirements to amortize all *business-type activities general obligation bonds* outstanding as of December 31, 2021, including interest payments, are as follows:

**Business-type activities:**

Fiscal Year Ending December 31,	Bonds - Direct Placements			Bonds - Public Offerings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 737,017	\$ 140,007	\$ 877,024	\$ 644,000	\$ 109,421	\$ 753,421
2023	739,283	128,375	867,658	644,000	85,620	729,620
2024	741,584	116,784	858,368	575,000	59,600	634,600
2025	708,920	105,774	814,694	230,000	39,650	269,650
2026	711,292	95,786	807,078	120,000	29,250	149,250
2027-2031	2,637,246	342,723	2,979,969	580,000	60,050	640,050
2032-2036	1,320,390	184,855	1,505,245	-	-	-
2037-2041	1,056,311	52,816	1,109,127	-	-	-
Totals	<u>\$ 8,652,043</u>	<u>\$ 1,167,120</u>	<u>\$ 9,819,163</u>	<u>\$ 2,793,000</u>	<u>\$ 383,591</u>	<u>\$ 3,176,591</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$474,000 as of December 31, 2021. The estimated total current cost of the landfill postclosure care (\$474,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2021. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Previously a 30-year period after closure was presented in the Town's engineers estimates bases 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 ongoing 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 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 (9 years from now) and continue at the reduced level for an indefinite time frame. The Town's engineer believes a 30-year period from year-end is a reasonable evaluation period for accounting purposes. The resulting estimate of total costs is \$474,000 as of December 31, 2021.

**Bonds Authorized and Unissued** – Bonds and notes authorized and unissued as of December 31, 2021 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March, 2014 ( WA #8)	Replacement of bridges and culverts	\$ 24
March, 2019 ( WA #5)	Drinking water capacity	4,285,000
March, 2020 ( WA #11)	Stormwater planning - CWSRF *	75,000
March, 2020 ( WA #12)	Wastewater asset management - CWSRF *	30,000
March, 2021 ( WA #13)	Stormwater planning - CWSRF	75,000
		<u>\$ 4,465,024</u>

\*These bonds were issued in 2022 and subsequently were 100% forgiven by the State of New Hampshire.

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**NOTE 17 – 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** – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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 (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For the period of January 1, 2021 to June 30, 2021, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. For the period of July 1, 2021 to December 31, 2021 the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2021 was \$4,689,492, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2021 the Town reported a liability of \$40,708,511 (\$39,963,814 for governmental activities and \$744,697 for business-type activities and proprietary funds) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the Town's proportion was 0.92% which was a decrease of 0.02% from its proportion measured as of June 30, 2020.

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For the year ended December 31, 2021, the Town recognized pension expense of \$2,270,919. At December 31, 2021 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-type Activities & Proprietary Funds	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$ 155,299	\$ 1,962,840	\$ 2,894	\$ 36,576
Changes in proportion				
Changes in assumptions	4,173,994		77,779	
Net difference between projected and actual investment earnings on pension plan investments		11,176,962		208,275
Differences between expected and actual experience	1,119,044	418,394	20,853	7,796
Contributions subsequent to the measurement date	2,607,977		48,597	
Total	\$ 8,056,314	\$ 13,558,196	\$ 150,123	\$ 252,647

The \$2,607,977 (governmental activities) and \$48,597 (business-type activities, and proprietary funds) 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, 2022. 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,	Business-type Activities & Proprietary Funds		
	Governmental Activities	Proprietary Funds	Total
2022	\$ (1,491,713)	\$ (27,797)	\$ (1,519,510)
2023	(1,286,815)	(23,979)	(1,310,794)
2024	(1,542,865)	(28,750)	(1,571,615)
2025	(3,788,465)	(70,595)	(3,859,060)
Thereafter			
Totals	<u>\$ (8,109,858)</u>	<u>\$ (151,121)</u>	<u>\$ (8,260,979)</u>

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

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for Teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

**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.

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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
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Total fixed income	25.00%	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the collective total pension liability was 6.75%. 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 table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Activities	Date	Actuarial	Current Single	
		Valuation	1% Decrease	1% Increase
Governmental	June 30, 2021	\$ 57,152,827	\$ 39,963,817	\$ 25,625,372
Business-type	June 30, 2021	\$ 1,065,001	\$ 744,694	\$ 477,510

**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 18 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**18-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 2021 Annual Comprehensive Financial Report, which can be found on the system's website at [www.nhrs.org](http://www.nhrs.org).

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**Benefits Provided** - 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 2021 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 2018, 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 the period of January 1, 2021 to June 30, 2021, the Town contributed 3.66% for police and fire, and 0.29% for other employees. For the period of July 1, 2021 to December 31, 2021, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2021 was \$481,163, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At December 31, 2021, the Town reported a liability of \$4,217,349 (\$4,140,199 for governmental activities and \$77,150 for business-type activities and proprietary funds) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Town's proportion was 1.05% which was a decrease of 0.02% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized OPEB expense of \$28,855. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Business-type Activities			
	Governmental Activities		& Proprietary Funds	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 765	\$ -	\$ 14
Net difference between projected and actual investment earnings on OPEB plan investments	- -	51,718	- -	964
Differences between expected and actual experience	- -	864	- -	16
Contributions subsequent to the measurement date	233,324	- -	4,348	- -
<b>Total</b>	<b>\$ 233,324</b>	<b>\$ 53,347</b>	<b>\$ 4,348</b>	<b>\$ 994</b>

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The \$233,324 (for governmental activities) and \$4,348 (for business-type activities, and proprietary funds) 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, 2022. 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,	Business-type Activities &		
	Governmental Activities	Proprietary Funds	Total
2022	\$ (13,458)	\$ (251)	\$ (13,709)
2023	(10,867)	(202)	(11,069)
2024	(12,180)	(227)	(12,407)
2025	(16,842)	(314)	(17,156)
Thereafter	-	-	-
<b>Totals</b>	<b>\$ (53,347)</b>	<b>\$ (994)</b>	<b>\$ (54,341)</b>

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

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75% (2.25% for Teachers)
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 - June 30, 2019.

**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. 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	
			2021
Large Cap Equities	22.50%		6.46%
Small/Mid Cap Equities	7.50%		1.14%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	14.00%		5.53%
Emerging Int'l Equities	6.00%		2.37%
Total international equity	20.00%		
Core US Fixed Income	25.00%		3.60%
Total fixed income	25.00%		
Private equity	10.00%		8.85%
Private debt	5.00%		7.25%
Total alternative investments	15.00%		
Real estate	10.00%		6.60%
<b>Total</b>	<b>100.00%</b>		

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**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2021 was 6.75%. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Activities	Actuarial Valuation Date	Current Single		1% Increase
		1% Decrease	Rate Assumption	
Governmental	June 30, 2021	\$ 4,500,723	\$ 4,140,199	\$ 3,826,522
Business-type	June 30, 2021	\$ 83,868	\$ 77,150	\$ 71,304

**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.

#### **18-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 health care benefits to its eligible retirees and their dependents. The benefits are provided through the Town, and the full cost of benefits is shared between the Town and retirees.

**Employees Covered by Benefit Terms** – At December 31, 2021 OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	74
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	258
Total participants covered by OPEB plan	<u>332</u>

**Contributions** – The Town has not adopted a formal policy but has historically contributed \$50,000 to the trust annually and intends to continue to fund \$50,000 annually until such time that a formal policy is adopted.

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**Net OPEB Liability** – The Town’s net OPEB liability of \$45,945,045 was measured as of January 1, 2021, rolled forward to the measurement date and using the following actuarial assumptions, applied to all periods included in the measurement:

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

Inflation:	2.2% per year, based on current economic data, analyses from economists and other experts, and professional judgement.
Discount rate	2.06%, net of investment expenses, including inflation.
Salary increases:	5.6 % average, including inflation
Healthcare cost trend rate:	7.00% for 2021, decreasing 0.4% per year to 5.4% then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medial Trend Model. The ultimate medial inflation rate is reached in 2075.

The mortality tables used in the development of the total OPEB liability include the following:

**Mortality Rates:** Pre-Retirement: PubG-2010 headcount-weighted Employee General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

**Healthy Retirees:** 101% of PubG-2010 headcount-weighted Retiree General Mortality Tables for males and 109% of PubG-2010 headcount-weighted Retiree General Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019

**Surviving spouses:** PubG-2010 Contingent Survivor Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

**Disabled Retirees:** PubG-2010 Disabled General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage provided in the investment policy statement and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2021 are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rates of Return
Domestic Equity	34.00%	5.34%
Fixed Income	24.00%	1.56%
International Equity	22.00%	6.10%
Alternative	20.00%	4.21%
Cash and Equivalents	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** – The discount rate used to measure the total OPEB liability was 2.06%. The projection of cash flows used to determine the discount rate assumed that employer contributions from the Town will be made in accordance with the plan’s funding policy. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.06% municipal bond rate was applied to all periods to determine the total OPEB liability.

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***Changes in the net OPEB liability:***

	Governmental Activities		
	Increase (Decrease)		
	Plan	Fiduciary	Net OPEB
	Total OPEB Liability	Net Position	Liability
OPEB liability beginning of year	\$ 37,395,093	\$ -	\$ 37,395,093
Changes for the year:			
Service cost	792,652	-	792,652
Interest	800,114	-	800,114
Differences between expected and actual experience	5,664,437	-	5,664,437
Changes of assumptions	2,004,609	-	2,004,609
Contributions - employer	-	972,993	(972,993)
Net investment income	-	3,534	(3,534)
Benefit payments	(892,993)	(892,993)	-
OPEB liability end of year	<u><u>\$ 45,763,912</u></u>	<u><u>\$ 83,534</u></u>	<u><u>\$ 45,680,378</u></u>
Business-type Activities & Proprietary Funds			
	Increase (Decrease)		
	Plan	Fiduciary	Net OPEB
	Total OPEB Liability	Net Position	Liability
OPEB liability beginning of year	\$ 174,407	\$ -	\$ 174,407
Changes for the year:			
Service cost	14,668	-	14,668
Interest	3,979	-	3,979
Differences between expected and actual experience	119,312	-	119,312
Changes of assumptions	(23,998)	-	(23,998)
Contributions - employer	-	22,817	(22,817)
Net investment income	-	884	(884)
Benefit payments	(2,817)	(2,817)	-
OPEB liability end of year	<u><u>\$ 285,551</u></u>	<u><u>\$ 20,884</u></u>	<u><u>\$ 264,667</u></u>

***Sensitivity of the Town's Net OPEB Liability to Changes in the Discount Rate*** – The following presents the net OPEB liability calculated using the current discount rate of 2.06%, as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (1.06%) or 1-percentage point higher (3.06%) than the current rate:

Activities	Discount Rate		
	1% Decrease	Baseline 2.06%	1% Increase
Governmental	\$ 56,558,042	\$ 45,680,378	\$ 37,728,743
Business-type	\$ 327,691	\$ 264,667	\$ 218,596

***Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates*** – The following presents the net OPEB liability calculated using the current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6% year 1 decreasing to 3%) or 1-percentage point higher (8% year 1 decreasing to 5%) than the current healthcare cost trend rates:

Activities	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Governmental	\$ 36,542,431	\$ 45,680,378	\$ 57,981,187
Business-type	\$ 211,723	\$ 264,667	\$ 335,937

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**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2021, the Town recognized OPEB expense of \$3,665,775. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Business-type Activities			
	Governmental Activities		& Proprietary Funds	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ -	\$ 341	\$ -	\$ 85
Changes in assumptions	8,471,942	1,706,128	39,512	7,957
Differences between expected and actual experience	6,038,699	-	28,164	-
Total	<u><u>\$ 14,510,641</u></u>	<u><u>\$ 1,706,469</u></u>	<u><u>\$ 67,676</u></u>	<u><u>\$ 8,042</u></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,	Business-type Activities & Proprietary Funds		
	Governmental Activities	Proprietary Funds	Total
2022	\$ 2,048,705	\$ 9,542	\$ 2,058,247
2023	2,048,705	9,542	2,058,247
2024	2,217,443	10,327	2,227,770
2025	2,673,664	12,453	2,686,117
2026	1,997,940	9,305	2,007,245
Thereafter	1,817,714	8,466	1,826,180
Totals	<u><u>\$ 12,804,171</u></u>	<u><u>\$ 59,635</u></u>	<u><u>\$ 12,863,806</u></u>

**NOTE 19 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2021 and are as follows:

General fund:	
General government	\$ 48,417
Public safety	301,871
Highways and streets	30,586
Sanitation	10,566
Culture and recreation	5,226
Capital outlay	192,459
Total encumbrances	<u><u>\$ 589,125</u></u>

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**NOTE 20 – GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES,  
AND FIDUCIARY FUNDS NET POSITION**

Net position reported on the governmental and business-type activities, and fiduciary funds Statements of Net Position at December 31, 2021 include the following:

	Government-wide Financial Statements				
	Governmental Activities	Business-type Activities	Total	Component Unit	Fiduciary Funds
Net investment in capital assets:					
Net book value, all capital assets	\$ 83,067,800	\$ 44,984,639	\$ 128,052,439	\$ -	\$ -
Less:					
General obligation bonds payable	(4,276,360)	(11,445,043)	(15,721,403)	-	-
Unamortized bond premiums	(332,296)	(332,546)	(664,842)	-	-
Capital leases payable	(941,488)	-	(941,488)	-	-
Total net investment in capital assets	77,517,656	33,207,050	110,724,706	-	-
Restricted net position:					
Perpetual care - nonexpendable	534,307	-	534,307	-	-
Perpetual care - expendable	223,532	-	223,532	-	-
Grants and donations	408,123	-	408,123	-	-
Police forfeiture	107,608	-	107,608	-	-
Library	79,270	-	79,270	-	-
Water	-	2,725,506	2,725,506	-	-
Sewer	-	3,979,036	3,979,036	-	-
Salem Council on Aging	-	-	-	717,924	-
Individuals, organizations, and other governmer	-	-	-	-	5,015,752
OPEB trust	-	-	-	-	104,418
Total restricted net position	1,352,840	6,704,542	8,057,382	717,924	5,120,170
Unrestricted	(55,906,181)	-	(55,906,181)	-	-
Total net position	\$ 22,964,315	\$ 39,911,592	\$ 62,875,907	\$ 717,924	\$ 5,120,170

**NOTE 21 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2021 include the following:

	Capital				Total Governmental Funds
	General Fund	Projects Fund	Nonmajor Funds	Governmental Funds	
<b>Nonspendable:</b>					
Prepaid items	\$ 263,494	\$ -	\$ -	\$ 263,494	
Tax deeded property	158,024	-	-	158,024	
Permanent fund - principal balance	-	-	534,307	534,307	
Total nonspendable fund balance	421,518	-	534,307	955,825	
<b>Restricted:</b>					
Bond proceeds	62,229	-	-	62,229	
Permanent - income balance	-	-	223,532	223,532	
Grants and donations	-	-	408,123	408,123	
Police forfeiture	-	-	107,608	107,608	
Library	-	-	79,270	79,270	
Capital projects	-	262,691	-	262,691	
Total restricted fund balance	62,229	262,691	818,533	1,143,453	

*(Continued)*

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

*Governmental fund balances continued:*

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Committed:</b>				
Expendable trusts	3,403,327	-	-	3,403,327
MetLife investments fair market value adjustn	115,583	-	-	115,583
Cable TV	-	-	422,951	422,951
CDBG	-	-	198	198
Conservation	-	-	819,941	819,941
Fire outside details	-	-	25,460	25,460
Police outside details	-	-	827,036	827,036
Recreation	-	-	163,650	163,650
Impact fees	-	-	4,301,128	4,301,128
Total committed fund balance	<u>3,518,910</u>	<u>-</u>	<u>6,560,364</u>	<u>10,079,274</u>
<b>Assigned:</b>				
Encumbrances	589,125	-	-	589,125
Contingency	4,541,250	-	-	4,541,250
Total assigned fund balance	<u>5,130,375</u>	<u>-</u>	<u>-</u>	<u>5,130,375</u>
<b>Unassigned</b>				
	<u>13,950,873</u>	<u>-</u>	<u>-</u>	<u>13,950,873</u>
Total governmental fund balances	<u><u>\$ 23,083,905</u></u>	<u><u>\$ 262,691</u></u>	<u><u>\$ 7,913,204</u></u>	<u><u>\$ 31,259,800</u></u>

**NOTE 22 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2021 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Capital Project Fund	Proprietary Funds		
				Water	Sewer	Total
To reclassify capital projects between governmental activities and proprietary funds	\$ (1,380,599)	\$ 1,380,599	\$ (1,380,599)	\$ (6,523)	\$ 1,387,122	\$ 1,380,599
To record miscellaneous rounding variances	(35)	-	(35)	-	-	-
Net position fund balance (deficit), as previously reported	<u>21,257,577</u>	<u>37,240,358</u>	<u>(170,003)</u>	<u>28,856,745</u>	<u>8,383,613</u>	<u>37,240,358</u>
Net position fund balance (deficit), as restated	<u><u>\$ 19,876,943</u></u>	<u><u>\$ 38,620,957</u></u>	<u><u>\$ (1,550,637)</u></u>	<u><u>\$ 28,850,222</u></u>	<u><u>\$ 9,770,735</u></u>	<u><u>\$ 38,620,957</u></u>

**NOTE 23 – 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 2021, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2021 to December 31, 2021 by Primex<sup>3</sup>, 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 Primex<sup>3</sup> 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

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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assessment is probable, and a reasonable estimate of the amount, if any. In 2021 the Town paid \$490,291 and \$997,229 respectively, to Primex for property, liability and worker's compensation. At this time, Primex<sup>3</sup> 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 24 – CONTINGENCIES**

The Town is a defendant in various claims and suits. Although the outcome of these claims and suits is not presently determinable, in the opinion of the Town's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town of Salem.

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 Town'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 Town anticipates such amounts, if any, will be immaterial.

**NOTE 25 – COVID-19**

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The Town was allotted a total of \$3,118,810 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$1,559,405 or 50% of the funding was received in 2021. The remainder is expected to be received in 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue and necessary water, sewer and broadband investment. For the year ended December 31, 2021 the Town spent none of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 26 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town did not have any such agreements for 2021.

**NOTE 27 – 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 December 14, 2022, the date the December 31, 2021 financial statements were available to be issued, and the following occurred that requires recognition or disclosure:

At the March 8, 2022 Annual Town election, the following articles were approved:

Warrant Article No. 8, authorizing the Town to issue \$6,750,000 of bonds or notes for the soil and groundwater remediation of the former Wastewater Treatment Facility.

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Warrant Article No. 10, authorizing the Town to issue \$1 of bonds or notes for construction and construction engineering for the replacement of the Bridge Street Bridge over the Spicket River, NHDOT Bridge No. 115/097, a Town owned and maintained bridge with critical deficiencies and limited loading capacity.

Additionally, the Town issued bonds for \$73,308 for stormwater planning (2020 Warrant Article No. 11) and \$28,104 for wastewater asset management (2020 Warrant Article No. 12) in 2022. In June of 2022 both of these loans were 100% forgiven by the State of New Hampshire. In July, 2022 the Town issued a bond anticipation note for \$6,698,000 related to the soil and groundwater remediation of the former wastewater treatment facility project.

***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, 2021**  
*Unaudited*

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's:									
Proportion of the net pension liability	0.96%	1.01%	1.00%	0.99%	0.97%	0.97%	0.98%	0.94%	0.92%
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	\$59,824,316	\$40,708,511
Covered payroll	\$16,548,303	\$17,665,164	\$18,230,211	\$17,795,519	\$18,538,018	\$19,239,017	\$20,057,803	\$19,853,485	\$20,499,115
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%	301.33%	198.59%
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%	58.72%	72.22%

**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, 2021**

**Unaudited**

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurment date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contributions	\$ 2,385,091	\$ 3,267,177	\$ 3,369,755	\$ 3,556,439	\$ 3,566,426	\$ 4,106,124	\$ 4,267,740	\$ 4,155,073	\$ 4,689,492
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	4,155,073	4,689,492
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 19,853,485	\$ 20,947,539
Contributions as a percentage of covered payroll	14.41%	18.50%	18.48%	19.99%	19.24%	21.34%	21.28%	20.93%	22.39%

**TOWN OF SALEM, NEW HAMPSHIRE**

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**

**PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2021**

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

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

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, 2021. 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.

**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, 2021***

***Unaudited***

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net OPEB liability	0.83%	0.80%	1.20%	1.22%	1.07%	1.05%
Town's proportionate share of the net OPEB liability (asset)	\$ 3,994,098	\$ 3,669,214	\$ 5,514,957	\$ 5,355,517	\$ 4,702,826	\$ 4,217,349
Town's covered payroll	\$ 17,795,519	\$ 18,538,018	\$ 19,239,017	\$ 20,057,803	\$ 19,853,485	\$ 20,499,115
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%	23.69%	20.57%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

**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, 2021*

*Unaudited*

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 479,403	\$ 475,631	\$ 532,806	\$ 557,477	\$ 498,715	\$ 481,163
Contributions in relation to the contractually required contribution	479,403	475,631	532,806	557,477	498,715	481,163
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$17,795,519	\$18,538,018	\$19,239,017	\$20,057,803	\$20,499,115	\$20,947,539
Contributions as a percentage of covered payroll	2.69%	2.57%	2.77%	2.78%	2.43%	2.30%

**EXHIBIT K**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Schedule of Changes in the Town's Net Other Postemployment Benefits Liability and Related Ratios*  
*Retiree Health Benefit Program*  
*For the Fiscal Year Ended December 31, 2021*  
*Unaudited*

	December 31.			
	2018	2019	2020	2021
Total OPEB liability, beginning of year	\$ 34,442,040	\$ 31,346,357	\$ 32,369,229	\$ 37,569,500
Changes for the year:				
Service cost	738,885	654,736	672,062	807,320
Interest	1,196,371	1,299,066	894,648	804,093
Changes to benefit terms	-	(8,106,088)	-	-
Differences between expected and actual experience	-	1,767,666	-	5,783,749
Changes of assumptions	(4,225,561)	6,040,596	4,413,371	1,980,611
Change in actuarial cost method	-	-	-	-
Benefit payments	(805,378)	(633,104)	(779,810)	(895,810)
Total OPEB liability, end of year	<u>\$ 31,346,357</u>	<u>\$ 32,369,229</u>	<u>\$ 37,569,500</u>	<u>\$ 46,049,463</u>
Plan fiduciary net position, beginning of year	\$ -	\$ -	\$ -	\$ -
Changes for the year:				
Contributions - employer	805,378	633,104	779,810	995,810
Net investment income	-	-	-	4,418
Benefit payments	(805,378)	(633,104)	(779,810)	(895,810)
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,418</u>
Town's net OPEB liability, end of year	\$ 31,346,357	\$ 32,369,229	\$ 37,569,500	\$ 45,945,045
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.23%
Covered payroll	\$ 18,879,190	\$ 20,168,260	\$ 20,813,862	\$ 20,953,271
Net OPEB liability as a percentage of covered payroll	166.04%	160.50%	180.50%	219.27%

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

**EXHIBIT L**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Schedule of Town Contributions - OPEB**  
**Retiree Health Benefit Program**  
**For the Fiscal Year Ended December 31, 2021**  
**Unaudited**

	December 31			
	2018	2019	2020	2021
Actuarially determined contributions	\$ 2,622,772	\$ 2,516,876	\$ 2,287,027	\$ 2,529,590
Contributions in relation to the actuarially determined contributions	805,378	633,104	779.810	995.810
Contribution deficiency (excess)	<u>\$ 1,817,394</u>	<u>\$ 1,883,772</u>	<u>\$ 1,507,217</u>	<u>\$ 1,533,780</u>
Town's covered payroll	<u>\$18,879,190</u>	<u>\$20,168,260</u>	<u>\$20,813,862</u>	<u>\$20,953,271</u>
Contributions as a percentage of covered payroll	4.27%	3.14%	3.75%	4.75%

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, 2021**

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

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

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, 2021. 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.

***Schedule of Changes in Town's Net Other Postemployment Benefits Liability and Related Ratios and  
Schedule of Town Contributions – Other Postemployment Benefits (Retiree Health Benefit Plan)***

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – The discount rate changed from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021. In addition many other assumptions were updated, including decrements, the inflation rate, healthcare trend rates, and mortality tables and mortality improvement rates. A Summary of the impact on the total OPEB Liability of each assumption change is provided below:

Increases due to change in decrements:	\$827,000
Increase due to change in inflation assumption:	\$146,000
Decrease due to change in trend assumptions:	(\$1,519,000)
Increase due to change in mortality tables and mortality improvement rates:	\$1,975,000
Increase due to change in discount rate:	\$551,000

As required by GASB Statement No. 75, Exhibit K and L represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2021. 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.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE I**  
**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, 2021*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 31,331,667	\$ 32,765,896	\$ 1,434,229
Yield	3,000	5,990	2,990
Payment in lieu of taxes	75,000	81,109	6,109
Other	25,000	30,241	5,241
Interest and penalties on taxes	230,000	262,653	32,653
Total from taxes	<u>31,664,667</u>	<u>33,145,889</u>	<u>1,481,222</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	75,050	55,205	(19,845)
Motor vehicle permit fees	6,600,000	7,233,488	633,488
Building permits	1,030,000	1,829,040	799,040
Other	220,515	343,880	123,365
Total from licenses, permits, and fees	<u>7,925,565</u>	<u>9,461,613</u>	<u>1,536,048</u>
Intergovernmental:			
State:			
Meals and rooms distribution	2,256,695	2,256,695	-
Highway block grant	652,161	651,996	(165)
Federal:			
Other	200,000	133,128	(66,872)
Total from intergovernmental	<u>3,108,856</u>	<u>3,041,819</u>	<u>(67,037)</u>
Charges for services:			
Income from departments	<u>2,458,907</u>	<u>3,037,660</u>	<u>578,753</u>
Miscellaneous:			
Sale of municipal property	200,000	296,302	96,302
Interest on investments	20,000	19,894	(106)
Other	1,172,595	898,000	(274,595)
Total from miscellaneous	<u>1,392,595</u>	<u>1,214,196</u>	<u>(178,399)</u>
Other financing sources:			
Transfers in	553,302	618,095	64,793
Bond proceeds	75,000	-	(75,000)
Total other financing sources	<u>628,302</u>	<u>618,095</u>	<u>(10,207)</u>
Total revenues and other financing sources	<u>47,178,892</u>	<u>\$ 50,519,272</u>	<u>\$ 3,340,380</u>
Unassigned fund balance used to reduce tax rate	2,179,265		
Total revenues, other financing sources, and use of fund balance	<u><u>\$ 49,358,157</u></u>		

See Independent Auditor's Report.

**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, 2021*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
General government:					
Executive	\$ -	\$ 639,924	\$ 560,371	\$ 2,378	\$ 77,175
Election and registration	-	253,328	255,041	30	(1,743)
Financial administration	259,298	2,534,442	2,525,167	5,715	262,858
Revaluation of property	-	275,000	148,206	-	126,794
Legal	-	148,700	168,036	-	(19,336)
Personnel administration	-	1,868,356	2,317,806	624	(450,074)
Planning and zoning	-	611,359	616,878	-	(5,519)
General government buildings	9,187	192,503	215,991	2,542	(16,843)
Cemeteries	19,141	571,099	626,159	13,061	(48,980)
Insurance, not otherwise allocated	4,288	412,153	414,400	18,081	(16,040)
Other	103,245	688,664	551,088	5,986	234,835
<b>Total general government</b>	<b>395,159</b>	<b>8,195,528</b>	<b>8,399,143</b>	<b>48,417</b>	<b>143,127</b>
Public safety:					
Police	63,258	12,496,599	11,293,039	104,585	1,162,233
Fire	380,707	13,727,702	13,967,873	197,286	(56,750)
Building inspection	31,250	895,720	797,881	-	129,089
<b>Total public safety</b>	<b>475,215</b>	<b>27,120,021</b>	<b>26,058,793</b>	<b>301,871</b>	<b>1,234,572</b>
Highways and streets:					
Administration	-	519,650	456,208	-	63,442
Highways and streets	48,289	2,988,801	2,840,503	19,686	176,901
Street lighting	93,258	606,693	655,441	10,900	33,610
<b>Total highways and streets</b>	<b>141,547</b>	<b>4,115,144</b>	<b>3,952,152</b>	<b>30,586</b>	<b>273,953</b>
Sanitation:					
Solid waste disposal	11,434	1,037,318	1,133,462	10,566	(95,276)
Health:					
Pest control	-	101,005	24,689	-	76,316
Welfare:					
Administration and direct assistance	-	167,649	131,492	-	36,157
Vendor payments and other	-	113,500	105,750	-	7,750
<b>Total welfare</b>	<b>-</b>	<b>281,149</b>	<b>237,242</b>	<b>-</b>	<b>43,907</b>
Culture and recreation:					
Parks and recreation	8,488	608,287	457,104	4,183	155,488
Library	-	1,611,948	1,402,720	-	209,228
Patriotic purposes	-	23,250	11,420	-	11,830
Other	-	42,616	53,158	1,043	(11,585)
<b>Total culture and recreation</b>	<b>8,488</b>	<b>2,286,101</b>	<b>1,924,402</b>	<b>5,226</b>	<b>364,961</b>
Debt service:					
Principal of long-term debt	-	708,500	678,427	-	30,073
Interest on long-term debt	-	216,515	194,033	-	22,482
Interest on tax anticipation notes	-	1	-	-	1
Other	-	50,250	250	-	50,000
<b>Total debt service</b>	<b>-</b>	<b>975,266</b>	<b>872,710</b>	<b>-</b>	<b>102,556</b>

*(Continued)*

See Independent Auditor's Report.

*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, 2021*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	892,772	1,485,948	1,946,266	192,459	239,995
Other financing uses:					
Transfers out		3,760,677	3,760,677		-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 1,924,615</u>	<u>\$ 49,358,157</u>	<u>\$ 48,309,536</u>	<u>\$ 589,125</u>	<u>\$ 2,384,111</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, 2021*

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Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$ 12,475,898
Changes:	
Unassigned fund balance used to reduce 2021 tax rate	(2,179,265)
2021 Budget summary:	
Revenue surplus (Schedule 1)	\$ 3,340,380
Unexpended balance of appropriations (Schedule 2)	<u>2,384,111</u>
2021 Budget surplus	5,724,491
Increase in nonspendable fund balance	(185,445)
Decrease in restricted fund balance	20,743
Increase in assigned (non-encumbrance) fund balance	<u>(1,410,900)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	14,445,522
<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	(588,056)
Elimination of the allowance for uncollectible taxes	<u>93,407</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	<u><u>\$ 13,950,873</u></u>

**SCHEDULE 4**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
*Combining Balance Sheet*  
*December 31, 2021*

	Special Revenue Funds				
	Cable TV	CDBG	Conservation Commission	Fire Outside Detail	Grants and Donations
<b>ASSETS</b>					
Cash and cash equivalents	\$ 297,815	\$ 198	\$ 819,941	\$ 21,537	\$ 1,928,216
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectable:					
Accounts	149,155	-	-	3,923	-
Intergovernmental receivables	-	-	-	-	40,312
Total assets	<u>\$ 446,970</u>	<u>\$ 198</u>	<u>\$ 819,941</u>	<u>\$ 25,460</u>	<u>\$ 1,968,528</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 20,029	\$ -	\$ -	\$ -	\$ 1,000
Accrued salaries and benefits	3,990	-	-	-	-
Interfund payable	-	-	-	-	-
Total liabilities	<u>24,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenue - grants	-	-	-	-	1,559,405
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	408,123
Committed	422,951	198	819,941	25,460	-
Total fund balances	<u>422,951</u>	<u>198</u>	<u>819,941</u>	<u>25,460</u>	<u>408,123</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 446,970</u>	<u>\$ 198</u>	<u>\$ 819,941</u>	<u>\$ 25,460</u>	<u>\$ 1,968,528</u>

Special Funds						
Police Forfeiture	Police Outside Details	Recreation	Library	Impact Fees	Permanent Fund	Total
\$ 107,608	\$ 632,564	\$ 163,965	\$ 79,270	\$ 4,733,403	\$ 15,423	\$ 8,799,940
-	-	-	-	-	771,538	771,538
-	213,928	-	-	-	-	367,006
-	-	-	-	-	-	40,312
<b>\$ 107,608</b>	<b>\$ 846,492</b>	<b>\$ 163,965</b>	<b>\$ 79,270</b>	<b>\$ 4,733,403</b>	<b>\$ 786,961</b>	<b>\$ 9,978,796</b>
\$ -	\$ -	\$ 315	\$ -	\$ -	\$ -	\$ 21,344
-	19,456	-	-	-	-	23,446
-	-	-	-	432,275	29,122	461,397
-	19,456	315	-	432,275	29,122	506,187
 	 	 	 	 	 	<b>1,559,405</b>
-	-	-	-	-	534,307	534,307
107,608	-	-	79,270	-	223,532	818,533
-	827,036	163,650	-	4,301,128	-	6,560,364
<b>107,608</b>	<b>827,036</b>	<b>163,650</b>	<b>79,270</b>	<b>4,301,128</b>	<b>757,839</b>	<b>7,913,204</b>
<b>\$ 107,608</b>	<b>\$ 846,492</b>	<b>\$ 163,965</b>	<b>\$ 79,270</b>	<b>\$ 4,733,403</b>	<b>\$ 786,961</b>	<b>\$ 9,978,796</b>

See Independent Auditor's Report.

**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, 2021**

	Special Revenue Funds					
	Cable TV	CDBG	Conservation	Fire	Grants and	
			Commission	Outside Detail	Donations	
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 1,900	\$ -	\$ -	\$ -
Intergovernmental	-	257,523	-	-	-	395,134
Charges for services	-	-	-	51,758	-	-
Miscellaneous	587,424	-	680	15	30,587	
<b>Total revenues</b>	<b>587,424</b>	<b>257,523</b>	<b>2,580</b>	<b>51,773</b>	<b>425,721</b>	
<b>Expenditures:</b>						
Current:						
General government	471,905	-	-	-	-	22,468
Public safety	-	-	-	48,245	393,649	
Culture and recreation	-	-	-	-	10,741	
Conservation	-	-	12,234	-	-	-
Capital outlay	-	255,272	183,255	-	-	-
<b>Total expenditures</b>	<b>471,905</b>	<b>255,272</b>	<b>195,489</b>	<b>48,245</b>	<b>426,858</b>	
Excess (deficiency) of revenues over (under) expenditures	115,519	2,251	(192,909)	3,528	(1,137)	
<b>Other financing uses:</b>						
Transfers out	(7,500)	-	-	-	-	(604)
Net change in fund balances	108,019	2,251	(192,909)	3,528	(1,741)	
Fund balances (deficit), beginning	314,932	(2,053)	1,012,850	21,932	409,864	
Fund balances, ending	<b>\$ 422,951</b>	<b>\$ 198</b>	<b>\$ 819,941</b>	<b>\$ 25,460</b>	<b>\$ 408,123</b>	

Special Revenue Funds

Police Forfeiture	Police Details	Outside Recreation	Library	Impact Fees	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,900
-	-	-	4,305	-	-	656,962
-	1,682,201	96,316	-	-	-	1,830,275
55,100	452	138	9,302	1,143,675	138,699	1,966,072
<u>55,100</u>	<u>1,682,653</u>	<u>96,454</u>	<u>13,607</u>	<u>1,143,675</u>	<u>138,699</u>	<u>4,455,209</u>
<hr/>						
-	5,933	-	-	9,221	1,723	511,250
53,410	1,539,870	-	-	19,225	-	2,054,399
-	-	95,299	13,709	3,349	-	123,098
-	-	-	-	-	-	12,234
-	-	-	-	-	-	438,527
<u>53,410</u>	<u>1,545,803</u>	<u>95,299</u>	<u>13,709</u>	<u>31,795</u>	<u>1,723</u>	<u>3,139,508</u>
<hr/>						
1,690	136,850	1,155	(102)	1,111,880	136,976	1,315,701
-	-	-	-	(873,285)	(29,122)	(910,511)
1,690	136,850	1,155	(102)	238,595	107,854	405,190
105,918	690,186	162,495	79,372	4,062,533	649,985	7,508,014
<u>\$ 107,608</u>	<u>\$ 827,036</u>	<u>\$ 163,650</u>	<u>\$ 79,270</u>	<u>\$ 4,301,128</u>	<u>\$ 757,839</u>	<u>\$ 7,913,204</u>

See Independent Auditor's Report.

**SCHEDULE 6**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Combining Schedule of Custodial Funds Fiduciary Net Position*  
*December 31, 2021*

	Custodial Funds					Total
	Taxes	Trust Funds	School Impact Fees	Developer Escrows	Motor Vehicle Registrations	
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 249,570	\$ 1,884,380	\$ 890,653	\$ -	\$ 3,024.603
Intergovernmental receivables	28,444.875	-	-	-	-	28,444.875
Total assets	<u>28,444.875</u>	<u>249,570</u>	<u>1,884,380</u>	<u>890,653</u>	<u>-</u>	<u>31,469.478</u>
<b>LIABILITIES</b>						
Intergovernmental payables:						
School	28,444.875	-	-	-	-	28,444.875
<b>NET POSITION</b>						
Restricted	<u>\$ -</u>	<u>\$ 249,570</u>	<u>\$ 1,884,380</u>	<u>\$ 890,653</u>	<u>\$ -</u>	<u>\$ 3,024,603</u>

See Independent Auditor's Report.

**SCHEDULE 7**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Combining Schedule of Custodial Funds Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Custodial Funds					Total
	Taxes	Trust Funds	School Impact Fees	Developer Escrows	Motor Vehicle Registrations	
<b>Additions:</b>						
Investment earnings	\$ -	\$ 335	\$ -	\$ -	\$ -	\$ 335
Motor vehicle registration fees	-	-	-	-	1,999,634	1,999,634
Tax collections for other governments	69,196,662	-	-	-	-	69,196,662
Other	-	-	349,311	354,104	-	703,415
<b>Total additions</b>	<b>69,196,662</b>	<b>335</b>	<b>349,311</b>	<b>354,104</b>	<b>1,999,634</b>	<b>71,900,046</b>
<b>Deductions:</b>						
Payments to other governments	69,196,662	-	405,345	-	-	69,602,007
Payments of motor vehicle fees to State	-	-	-	-	1,999,634	1,999,634
Payments for escrow purposes	-	-	-	318,674	-	318,674
<b>Total deductions</b>	<b>69,196,662</b>	<b>-</b>	<b>405,345</b>	<b>318,674</b>	<b>1,999,634</b>	<b>71,920,315</b>
Net increase (decrease) in fiduciary net position	-	335	(56,034)	35,430	-	(20,269)
Net position, beginning	-	249,235	1,940,414	855,223	-	3,044,872
<b>Net position, ending</b>	<b>\$ -</b>	<b>\$ 249,570</b>	<b>\$ 1,884,380</b>	<b>\$ 890,653</b>	<b>\$ -</b>	<b>\$ 3,024,603</b>

See Independent Auditor's Report.

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



## PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

### ***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 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, discretely presented component unit, each major governmental and proprietary fund, and the aggregate remaining fund information of Town of Salem, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Town of Salem's basic financial statements, and have issued our report thereon dated December 14, 2022.

#### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Town of Salem's internal control over financial reporting (internal control) as a basis for designing 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 Town of Salem's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a 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 or significant deficiencies may exist that were not identified.

#### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Town of Salem's financial statements are free from 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 financial statements. 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.

*Sheryl A. Pratt, CPA*  
PLODZIK & SANDERSON  
Professional Association

December 14, 2022  
Concord, New Hampshire



## **PLODZIK & SANDERSON**

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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**

##### ***Opinion on Each Major Federal Program***

We have audited Town of Salem's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Salem's major federal programs for the year ended December 31, 2021. Town of Salem's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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 each of its major federal programs for the year ended December 31, 2021.

##### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Salem and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Salem's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Salem's federal programs.

##### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Salem's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Salem's compliance with the requirements of each major federal program as a whole.

**Town of Salem**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Salem's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Salem's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Town of Salem's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Sheryl A. Platt, CPA*

December 14, 2022  
Concord, New Hampshire

**PLODZIK & SANDERSON  
Professional Association**

**SCHEDULE I**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
***Schedule of Findings and Questioned Costs***  
***For the Year Ended December 31, 2021***

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**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 federal 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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<u>Passed Through the New Hampshire Community Development Finance Authority</u>				
Community Development Block Grant/State's Program:				
Millville Arms	14.228	19-201-CDHS-001	\$ -	\$ 244,647
Friendship Drive	14.228	20-201-CDPF	- - -	10,625
<i>PROGRAM TOTAL</i>				<u>255,272</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<u>Passed Through the New Hampshire Department of Justice</u>				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1209	- - -	1,589
Violence Against Women Formula Grants	16.588	2020-WF-AX-0021	- - -	7,860
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<u>Passed Through the State of New Hampshire Department of Transportation</u>				
Highway Planning and Construction:				
NH Routes 28 & 97 Intersection Reconstruction "The Depot"	20.205	12334	- - -	2,583,207
Rail Trail Phase VI	20.205	41750	- - -	38,721
<i>PROGRAM TOTAL</i>				<u>2,621,928</u>
<u>Passed Through the New Hampshire Department of Safety</u>				
State and Community Highway Safety:				
DWI Patrols	20.600	#21-165	- - -	1,687
Q4 NH Traffic Grants	20.600	#21-165	- - -	6,854
Distracted Driving	20.600	#21-165	- - -	580
SPEED	20.600	#21-165	- - -	1,209
Lidar Unit and Radar Trailer	20.600	#21-165	- - -	9,023
Join the Clique	20.600	#21-165	- - -	428
Drive Sober or Get Pulled Over	20.600	#21-165	- - -	6,682
<i>PROGRAM TOTAL</i>				<u>26,463</u>
<b>U.S. DEPARTMENT OF TREASURY</b>				
<u>Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)</u>				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	- - -	<u>29,374</u>
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	- - -	<u>1,828</u>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>				
<u>Passed Through the Town of Scarborough, Maine</u>				
High Intensity Drug Trafficking Areas Program	95.001	N/A	- - -	<u>18,207</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<u>Passed Through the New Hampshire Department of Safety</u>				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	- - -	<u>359,148</u>
<b>DIRECT FUNDING</b>				
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Equitable Sharing Program	16.922	N/A	- - -	<u>43,033</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	- - -	<u>30,263</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ - - -</u>	<u>\$ 3,394,965</u>

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, 2021**

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Town of Salem under programs of the federal government for the year ended December 31, 2021. 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.