

**TOWN OF SALEM,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2020**

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

*Professional Association/Certified Public Accountants*

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

### ***INDEPENDENT AUDITOR'S REPORT***

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the Town of Salem as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the Town of Salem, as of December 31, 2020, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

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

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,

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

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

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

**Other Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021 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*

July 29, 2021

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, 2020. 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 \$58,497,935 (net position) for the calendar year reported. This is a change of \$11,308,198 in comparison to the prior year, as restated. Of that amount at December 31, 2020, \$(63,193,612) is considered unrestricted (unrestricted net position), a change of \$(2,525,060) in comparison to the prior year. The two main factors for this change include the change for the other postemployment benefits (OPEB) liability and the net pension liability. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of the Town's governmental activities was \$(58,895,990), a change of \$(809,411) in comparison to the prior year. The unrestricted net position of business-type activities was \$(4,297,622), a change of \$(1,715,649) in comparison to the prior year.
- The total cost of all town services for calendar year 2020 was \$62,208,595, as compared to \$54,927,625 the prior year, an increase of \$7,280,970 or 13%. Of the total cost of services, \$56,139,900 was spent on governmental activities (compared to \$48,194,186 in the prior year, as restated) and an additional \$6,068,695 was spent on business type activities consisting of the water and sewer funds (compared to \$6,733,439 in the prior year, as restated).
- At December 31, 2020, the Town's governmental funds reported a combined ending balance of \$28,352,756, a change of \$4,980,203 in comparison to prior year, as restated.
- At the end of calendar year 2020, unassigned fund balance for the general fund was \$11,638,627, a change of \$(290,255) in comparison to the prior year.
- Total long-term debt (bonds and notes payable) at the close of the fiscal year 2020 was \$6,967,142, a change of \$(1,415,193) in comparison to the prior year. There were no bonds issued in fiscal year 2020.
- 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 11-12 of this report.

### ***Fund Financial Statements***

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

All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. 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 13-16 of this report.

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

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

The Town's *fiduciary funds* are private purpose trust funds and custodial funds. Fiduciary funds are used for those resources that are held for third parties and are not available for governmental use. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### ***Notes to the Basic Financial Statements***

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

#### ***Required Supplementary Information***

The schedule of the town's proportionate share of new pension liability and the schedule of the town's contributions – pensions are presented as required supplementary information and begin on page 56.

#### ***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Town's budget presentations for the general fund. Also, combining and individual schedules for nonmajor funds are presented in this section of this report beginning on page 65.



**Government-Wide Financial Analysis**

	Summary of Net Position					
	Governmental activities		Business-type activities		Total	
	2020	2019 (restated)	2020	2019 (restated)	2020	2019 (restated)
Assets and deferred outflows:						
Current and other assets	\$ 31,089,913	\$ 26,679,010	\$ 13,809,438	\$ 8,213,106	\$ 44,899,351	\$ 34,892,116
Capital assets	83,598,563	85,588,309	45,058,215	33,021,538	128,656,778	118,609,847
Deferred outflows	23,091,927	11,176,258	300,373	138,718	23,392,300	11,314,976
Total assets and deferred outflows	137,780,403	123,443,577	59,168,026	41,373,362	196,948,429	164,816,939
Liabilities and deferred inflows:						
Current liabilities	2,716,701	4,937,961	12,918,425	10,395,636	15,635,126	15,333,597
Noncurrent liabilities	108,581,970	92,616,719	4,255,871	4,740,465	112,837,841	97,357,184
Deferred inflows	5,224,155	4,874,732	4,753,372	61,689	9,977,527	4,936,421
Total liabilities and deferred inflows	116,522,826	102,429,412	21,927,668	15,197,790	138,450,494	117,627,202
Net position:						
Net investment in capital assets	78,908,428	78,982,729	41,537,980	28,757,545	120,446,408	107,740,274
Restricted	1,245,139	118,015	-	-	1,245,139	118,015
Unrestricted	(58,895,990)	(58,086,579)	(4,297,622)	(2,581,973)	(63,193,612)	(60,668,552)
Total net position	\$ 21,257,577	\$ 21,014,165	\$ 37,240,358	\$ 26,175,572	\$ 58,497,935	\$ 47,189,737

The largest portion of the Town's total net position (206% of total net position) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (2% of total net position) represents resources that are subject to restrictions on how they may be used placed by parties external to the Town. Finally, unrestricted net position of \$(63,193,612) ((108%) 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, 2020 the Town's share of this liability was \$59.8 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 \$42.2 million as of December 31, 2020. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future until a mechanism to fund its OPEB obligation is in place. It is important to note that although total unrestricted net position is \$(63,193,612) this includes the unrestricted net position of the Town's business-type activities of \$(4,297,622), which may not be used to fund governmental activities.

At the end of the calendar year, the Town reported increases in net position for the government-wide activities, business-type activities, and total net position. The Town's total net position changed by \$11,308,198 during the current calendar year. Governmental activities net position increased by \$243,412 or 1% during calendar year 2020. 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 \$11,064,786 or 42% during the calendar year. The majority of this change was due to property donated to the Town by the State of New Hampshire as part of the Southern New Hampshire Regional Water Interconnection Project.

The following condensed financial information was derived from the government-wide statement of net position. It reflects how the Town's net position has changed during calendar year 2020.

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

	Summary of Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2020	2019 (as restated)	2020	2019 (as restated)	2020	2019 (as restated)
Revenues:						
Program:						
Charges for services	\$ 4,495,161	\$ 4,662,583	\$ 8,011,164	\$ 5,972,816	\$ 12,506,325	\$ 10,635,399
Operating grants and contributions	4,135,610	2,668,013	9,722,541	2,190,324	13,858,151	4,858,337
Capital grants and contributions	532,449	1,099,607	-	-	532,449	1,099,607
General:						
Property taxes	32,215,375	32,088,168	-	-	32,215,375	32,088,168
Motor vehicle permits	7,145,920	7,241,118	-	-	7,145,920	7,241,118
Other	6,149,342	5,380,212	(35,579)	174,387	6,113,763	5,554,599
Total revenues	54,673,857	53,139,701	17,698,126	8,337,527	72,371,983	61,477,228
Program expenses:						
General government	9,919,578	839,103	-	-	9,919,578	839,103
Public safety	30,704,471	28,905,918	-	-	30,704,471	28,905,918
Highways and streets	11,774,669	14,359,436	-	-	11,774,669	14,359,436
Sanitation	1,198,064	1,023,893	3,010,737	3,435,437	4,208,801	4,459,330
Water distribution and treatment	-	-	3,057,958	3,298,002	3,057,958	3,298,002
Health	68,553	108,645	-	-	68,553	108,645
Welfare	211,211	255,169	-	-	211,211	255,169
Culture and recreation/conservation	2,196,857	2,490,768	-	-	2,196,857	2,490,768
Interest	66,497	211,254	-	-	66,497	211,254
Total expenses	56,139,900	48,194,186	6,068,695	6,733,439	62,208,595	54,927,625
Change in net position before transfers	(1,466,043)	4,945,515	11,629,431	1,604,088	10,163,388	6,549,603
Contributions to permanent fund principal	4,810	-	-	-	4,810	-
Contributions to OPEB	(50,000)	-	-	-	(50,000)	-
Property donation	1,130,000	-	-	4,162,576	1,130,000	4,162,576
Principal forgiveness	60,000	-	-	-	60,000	-
Transfers	564,645	515,826	(564,645)	(515,826)	-	-
Total change in net position	243,412	5,461,341	11,064,786	5,250,838	11,308,198	10,712,179
Net position - beginning of year (as restated)	21,014,165	15,552,824	26,175,572	20,924,734	47,189,737	36,477,558

### 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 \$28,352,756, an increase of \$4,980,203 or 21% in comparison with the prior year. This increase was primarily due general fund revenues exceeding general fund expenditures.

### Governmental Fund – General Fund

The general fund is the Town's chief operating fund and the largest source of day-to-day service delivery. At the end of the calendar year, unassigned fund balance of the General Fund was \$11,638,627, a change of \$(290,225) 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	12/31/2020	12/31/2019	Change	% of Total General Fund Expenditures
Unassigned fund balance	11,638,627	11,928,882	(290,255)	29%
Total fund balance	21,014,745	17,550,487	3,464,258	52%

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 \$21,014,745.

### Budgetary Highlights

**The General Fund** – The operating budget was not amended in total appropriations during calendar year 2020, however modifications were made to the allocation of appropriations. The 2020 budget was set to utilize \$2,663,918 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 \$3,380,263 lower than budgeted expenditures. Actual revenues including transfers and bond proceeds in were \$1,457,257 higher than budgeted amounts. All of these resulted in a net positive variance to the budget of \$4,837,520.

All functional areas of revenues exceeded the budgeted amount except for taxes. Taxes reported \$143,267 less than the budgeted amount, this is likely to do the COVID-19 pandemic. Licenses and permits exceeded their budget by \$855,135. 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. There was additional tonnage during 2020 because of residents working from home and cleaning out their houses. Tonnage at the landfill increased by 15% in comparison to the prior year. Overall, the Town expended 93% of the 2020 appropriated budget which is lower when compared to 98% in 2019. In 2020, due to the COVID-19 pandemic the town implemented a hiring freeze and did not proceed with capital expenditures due to the uncertainty of revenue collections, specifically property taxes.

### 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, 2020, was \$128,656,778, a change of \$10,046,931 from the prior year. This increase is primarily due to a water and sewer main replacement project and the water main installation and the construction of pressure reducing valve (PRV) stations as part of the Southern New Hampshire Regional Water Interconnection Project. The investment in capital assets includes land, intangible assets, buildings, improvements, infrastructure, equipment and vehicles.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**As of and For the Year Ended December 31, 2020**

**Town of Salem, New Hampshire**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and land improvements	\$ 17,352,542	\$ 17,219,616	\$ 350,000	\$ 350,000	\$ 17,702,542	\$ 17,569,616
Intangible assets	-	-	1,071,000	1,071,000	1,071,000	1,071,000
Construction in progress	-	2,235,057	21,992,820	12,754,831	21,992,820	14,989,888
Buildings and building improvements	3,460,020	2,869,016	2,998,976	1,533,603	6,458,996	4,402,619
Machinery, equipment, and furnishings	5,314,590	5,012,308	2,202,426	2,371,944	7,517,016	7,384,252
Infrastructure	57,471,411	58,252,312	16,442,993	14,940,160	73,914,404	73,192,472
Total	\$ 83,598,563	\$ 85,588,309	\$ 45,058,215	\$ 33,021,538	\$ 128,656,778	\$ 118,609,847

At December 31, 2020, the depreciable capital assets for the Town were 68% depreciated which is the same as the prior year. This comparison indicates that the Town is replacing depreciable capital assets at the same rate than they are depreciating.

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

Capital asset additions

Infrastructure

Bluff St over Widow Harris Brook Bridge	\$ 970,713
Road Reconstruction - Woodmeadow Dr	668,184
Road Reconstruction - Industrial Way	631,459
Road Reconstruction - Plaisted Cir	583,036
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

SNHRW Water Main and PRV Stations	\$ 9,566,652
South Broadway sewer pipe replacement	1,439,214

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

**Long-term Debt**

At December 31, 2020 the Town had total bonds and notes outstanding of \$6,967,142. Of this amount, \$3,608,000 was governmental activities debt and \$3,359,142 was business-type debt. During fiscal year 2020 the Town did not issue any bonds but did finalize on a loan in which the terms was 100% principal forgiveness. The was a loan with the state in the amount of \$60,000 of which \$60,000 was issued and forgiven in the same year. This was for wastewater and stormwater asset management planning. A summary of outstanding debt as of December 31, 2020, was as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bridge construction	\$ 903,000	\$ 1,289,000	\$ -	\$ -	\$ 903,000	\$ 1,289,000
Land acquisition	2,545,000	2,830,000	-	-	2,545,000	2,830,000
Drinking water capacity rights	160,000	200,000	\$ 640,000	\$ 800,000	800,000	1,000,000
Water main improvements	-	-	1,217,000	1,511,000	1,217,000	1,511,000
Water system improvements	-	-	1,502,142	1,752,335	1,502,142	1,752,335
Total	\$ 3,608,000	\$ 4,319,000	\$ 3,359,142	\$ 4,063,335	\$ 6,967,142	\$ 8,382,335

Total long-term bonds and notes outstanding at December 31, 2020 decreased by \$1,415,193 or 17% from December 31, 2019 due to bond and note payments. The Town's bonds are rated AA+ by Standard & Poor. Additional information on the Town's long-term debt can be found in Note 16 to the financial statements.

**Requests for Information**

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

**EXHIBIT A**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2020**

	Governmental Activities	Business-type Activities	Total	Component Unit Salem Council on Aging, Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,076,515	\$ 8,087,908	\$ 32,164,423	\$ 613,318
Investments	729,627	-	729,627	-
Taxes receivables (net)	4,154,210	-	4,154,210	-
Account receivables (net)	1,215,355	754,937	1,970,292	-
Special assessments	-	4,690,871	4,690,871	-
Intergovernmental receivable	678,133	274,722	952,855	-
Prepaid items	236,073	1,000	237,073	-
Capital assets:				
Land and construction in progress	13,710,995	23,413,820	37,124,815	-
Other capital assets, net of depreciation	69,887,568	21,644,395	91,531,963	-
Total assets	<u>114,688,476</u>	<u>58,867,653</u>	<u>173,556,129</u>	<u>613,318</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Amounts related to pensions	13,343,761	248,651	13,592,412	-
Amounts related to other postemployment benefits	9,748,166	51,722	9,799,888	-
Total deferred outflows of resources	<u>23,091,927</u>	<u>300,373</u>	<u>23,392,300</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	872,996	209,552	1,082,548	-
Accrued salaries and benefits	645,334	20,101	665,435	-
Retainage payable	1,772	472,960	474,732	-
Accrued interest payable	54,031	37,321	91,352	-
Intergovernmental payable	48,678	9,832,533	9,881,211	-
Bond anticipation note payable	-	1,600,000	1,600,000	-
Long-term liabilities:				
Due within one year	1,093,890	745,958	1,839,848	-
Due in more than one year	108,581,970	4,255,871	112,837,841	-
Total liabilities	<u>111,298,671</u>	<u>17,174,296</u>	<u>128,472,967</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	274,669	-	274,669	-
Unavailable revenue - special assessments	-	4,690,871	4,690,871	-
Unavailable revenue - prepaid rents	-	2,300	2,300	-
Amounts related to pensions	2,526,722	47,084	2,573,806	-
Amounts related to other postemployment benefits	2,422,764	13,117	2,435,881	-
Total deferred inflows of resources	<u>5,224,155</u>	<u>4,753,372</u>	<u>9,977,527</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	78,908,428	41,537,980	120,446,408	-
Restricted	1,245,139	-	1,245,139	613,318
Unrestricted	(58,895,990)	(4,297,622)	(63,193,612)	-
Total net position	<u>\$ 21,257,577</u>	<u>\$ 37,240,358</u>	<u>\$ 58,497,935</u>	<u>\$ 613,318</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, 2020**

		Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Salem Council on Aging, Inc.
<b>Governmental activities:</b>								
General government	\$ 9,919,578	\$ 156,490	\$ -	\$ -	\$ (9,763,088)	\$ -	\$ (9,763,088)	\$ -
Public safety	30,704,471	3,732,314	341,678	-	(26,630,479)	-	(26,630,479)	-
Highways and streets	11,774,669	-	1,439,591	532,449	(9,802,629)	-	(9,802,629)	-
Sanitation	1,198,064	513,125	-	-	(684,939)	-	(684,939)	-
Health	68,553	-	-	-	(68,553)	-	(68,553)	-
Welfare	211,211	52,753	-	-	(158,458)	-	(158,458)	-
Culture and recreation	2,190,679	40,479	2,353,941	-	203,741	-	203,741	-
Conservation	6,178	-	400	-	(5,778)	-	(5,778)	-
Interest on long-term debt	66,497	-	-	-	(66,497)	-	(66,497)	-
Total governmental activities	56,139,900	4,495,161	4,135,610	532,449	(46,976,680)	-	(46,976,680)	-
<b>Business-type activities:</b>								
Water	3,057,958	4,272,453	9,361,064	-	-	10,575,559	10,575,559	-
Sewer	3,010,737	3,738,711	361,477	-	-	1,089,451	1,089,451	-
Total business-type activities	6,068,695	8,011,164	9,722,541	-	-	11,665,010	11,665,010	-
Total	\$62,208,595	\$ 12,506,325	\$ 13,858,151	\$ 532,449	(46,976,680)	11,665,010	(35,311,670)	-
<b>Component unit:</b>								
Salem Council on Aging	\$ 107,893	\$ 547	\$ -	\$ -	-	-	-	(107,346)
<b>General revenues:</b>								
Taxes:								
Property					32,215,375	-	32,215,375	-
Other					127,321	-	127,321	-
Motor vehicle permit fees					7,145,920	-	7,145,920	-
Licenses and other fees					1,562,230	-	1,562,230	-
Grants and contributions not restricted to specific programs					2,449,358	-	2,449,358	-
Unrestricted investment earnings					139,132	(48,795)	90,337	2,999
Miscellaneous					1,871,301	13,216	1,884,517	69,466
Total general revenues					45,510,637	(35,579)	45,475,058	72,465
Contributions to permanent fund principal					4,810	-	4,810	-
Contributions to OPEB trust					(50,000)	-	(50,000)	-
Property donation					1,130,000	-	1,130,000	-
Principal forgiveness					60,000	-	60,000	-
Transfers					564,645	(564,645)	-	-
Total general revenues, contributions, and transfers					47,220,092	(600,224)	46,619,868	72,465
Change in net position					243,412	11,064,786	11,308,198	(34,881)
Net position, beginning, as restated (see Note 22)					21,014,165	26,175,572	47,189,737	648,199
Net position, ending					\$ 21,257,577	\$ 37,240,358	\$ 58,497,935	\$ 613,318

**EXHIBIT C-1**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2020**

	General	Impact Fees	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,327,808	\$ 4,064,048	\$ -	\$ 2,344,418	\$ 19,736,274
Investments	112,492	-	-	617,135	729,627
Receivables, net of allowance for uncollectible:					
Taxes	4,282,595	-	-	-	4,282,595
Accounts	876,609	-	-	338,746	1,215,355
Intergovernmental receivable	207,749	-	282,400	187,984	678,133
Interfund receivable	596,512	-	249,350	-	845,862
Voluntary tax liens	110,113	-	-	-	110,113
Voluntary tax liens reserved until collected	(110,113)	-	-	-	(110,113)
Prepaid items	236,073	-	-	-	236,073
Restricted assets:					
Cash and cash equivalents	4,340,241	-	-	-	4,340,241
Total assets	<u>\$ 23,980,079</u>	<u>\$ 4,064,048</u>	<u>\$ 531,750</u>	<u>\$ 3,488,283</u>	<u>\$ 32,064,160</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 734,071	\$ -	\$ 117,776	\$ 21,149	\$ 872,996
Accrued salaries and benefits	634,701	-	-	10,633	645,334
Retainage payable	1,772	-	-	-	1,772
Intergovernmental payable	48,678	-	-	-	48,678
Interfund payable	249,350	1,515	583,977	11,020	845,862
Total liabilities	<u>1,668,572</u>	<u>1,515</u>	<u>701,753</u>	<u>42,802</u>	<u>2,414,642</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - Property taxes	1,240,325	-	-	-	1,240,325
Bond premiums	56,437	-	-	-	56,437
Total deferred inflows of resources	<u>1,296,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,296,762</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable	236,073	-	-	572,217	808,290
Restricted	82,972	-	-	672,922	755,894
Committed	4,002,108	4,062,533	-	2,202,395	10,267,036
Assigned	5,054,965	-	-	-	5,054,965
Unassigned (deficit)	11,638,627	-	(170,003)	(2,053)	11,466,571
Total fund balances (deficit)	<u>21,014,745</u>	<u>4,062,533</u>	<u>(170,003)</u>	<u>3,445,481</u>	<u>28,352,756</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,980,079</u>	<u>\$ 4,064,048</u>	<u>\$ 531,750</u>	<u>\$ 3,488,283</u>	<u>\$ 32,064,160</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, 2020**

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 28,352,756
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 259,053,884	
Less accumulated depreciation	<u>(175,455,321)</u>	
		83,598,563
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 13,343,761	
Deferred inflows of resources related to pensions	(2,526,722)	
Deferred outflows of resources related to OPEB	9,748,166	
Deferred inflows of resources related to OPEB	<u>(2,422,764)</u>	
		18,142,441
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (845,862)	
Payables	<u>845,862</u>	
		-
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.		56,437
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	\$ 965,656	
Allowance for uncollectible taxes	<u>(128,385)</u>	
		837,271
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(54,031)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 3,608,000	
Unamortized bond premium	387,294	
Capital leases	694,841	
Compensated absences	3,763,911	
Accrued landfill postclosure care costs	480,000	
Net pension liability	58,729,926	
Other postemployment benefits	<u>42,011,888</u>	
		<u>(109,675,860)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 21,257,577</u>

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

**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, 2020**

	General	Impact Fees	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 31,877,994	\$ -	\$ -	\$ 2,484	\$ 31,880,478
Licenses and permits	8,686,510	-	-	-	8,686,510
Intergovernmental	3,108,711	-	358,015	1,530,865	4,997,591
Charges for services	2,703,492	-	-	1,896,805	4,600,297
Miscellaneous	1,855,144	1,330,144	129,696	736,089	4,051,073
Total revenues	48,231,851	1,330,144	487,711	4,166,243	54,215,949
<b>EXPENDITURES</b>					
Current:					
General government	7,017,683	-	-	605,534	7,623,217
Public safety	24,166,237	13,189	6,800	3,054,736	27,240,962
Highways and streets	3,594,400	20,075	4,280,874	-	7,895,349
Sanitation	1,177,242	-	-	-	1,177,242
Health	68,553	-	-	-	68,553
Welfare	212,450	-	-	-	212,450
Culture and recreation	1,937,809	-	-	68,337	2,006,146
Conservation	-	-	-	6,178	6,178
Debt service:					
Principal	711,000	-	-	-	711,000
Interest	171,470	-	-	-	171,470
Capital outlay	1,203,027	-	1,444,745	50,052	2,697,824
Total expenditures	40,259,871	33,264	5,732,419	3,784,837	49,810,391
Excess (deficiency) of revenues over (under) expenditures	7,971,980	1,296,880	(5,244,708)	381,406	4,405,558
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	492,922	91	4,980,209	300,000	5,773,222
Transfers out	(5,000,644)	(241,080)	-	(16,853)	(5,258,577)
Principal forgiveness	-	-	60,000	-	60,000
Total other financing sources (uses)	(4,507,722)	(240,989)	5,040,209	283,147	574,645
Net change in fund balances	3,464,258	1,055,891	(204,499)	664,553	4,980,203
Fund balances, beginning, as restated (see Note 22)	17,550,487	3,006,642	34,496	2,780,928	23,372,553
Fund balances (deficit), ending	\$ 21,014,745	\$ 4,062,533	\$ (170,003)	\$ 3,445,481	\$ 28,352,756

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, 2020*

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 4,980,203
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 6,522,195	
Depreciation expense	<u>(8,511,941)</u>	
		(1,989,746)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (5,208,577)	
Transfers out	<u>5,208,577</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ 502,751	
Change in allowance for uncollectible taxes	<u>(40,033)</u>	
		462,718
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of bond principal	\$ 711,000	
Repayment of capital leases	1,149,447	
Amortization of bond premium	<u>39,079</u>	
		1,899,526
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.		
Decrease in accrued interest expense	\$ 65,893	
Increase in compensated absences payable	(28,257)	
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	(3,957,703)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(1,195,222)</u>	
		(5,109,289)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 243,412</u>

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

**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, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 32,483,979	\$ 32,340,712	\$ (143,267)
Licenses and permits	7,831,375	8,686,510	855,135
Intergovernmental	2,725,696	3,108,711	383,015
Charges for services	2,595,253	2,703,492	108,239
Miscellaneous	1,277,542	1,651,575	374,033
Total revenues	46,913,845	48,491,000	1,577,155
<b>EXPENDITURES</b>			
Current:			
General government	7,790,797	7,293,909	496,888
Public safety	26,368,190	24,499,317	1,868,873
Highways and streets	4,178,841	3,693,780	485,061
Sanitation	1,018,607	1,188,676	(170,069)
Health	108,303	68,553	39,750
Welfare	285,794	212,450	73,344
Culture and recreation	2,242,047	1,937,986	304,061
Debt service:			
Principal	711,000	711,000	-
Interest	171,720	171,470	250
Capital outlay	2,234,607	1,952,502	282,105
Total expenditures	45,109,906	41,729,643	3,380,263
Excess of revenues over expenditures	1,803,939	6,761,357	4,957,418
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	537,820	492,922	(44,898)
Transfers out	(5,080,677)	(5,080,677)	-
Bond proceeds	75,000	-	(75,000)
Total other financing sources (uses)	(4,467,857)	(4,587,755)	(119,898)
Net change in fund balances	\$ (2,663,918)	2,173,602	\$ 4,837,520
Decrease in nonspendable fund balance		136,468	
Decrease in restricted fund balance		20,743	
Increase in assigned fund balance (non-encumbrance)		(2,158,350)	
Unassigned fund balance, beginning		12,303,435	
Unassigned fund balance, ending		\$ 12,475,898	

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, 2020**

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,780,672	\$ 4,307,236	\$ 8,087,908
Receivables, net of allowance for uncollectible:			
Accounts	444,568	310,369	754,937
Special assessments	1,841,576	2,849,295	4,690,871
Intergovernmental	35,152	239,570	274,722
Welfare liens	-	15,340	15,340
Welfare liens reserved until collected	-	(15,340)	(15,340)
Prepaid items	620	380	1,000
Capital assets:			
Land and construction in progress	16,493,537	6,920,283	23,413,820
Other capital assets, net of depreciation	16,951,055	4,693,340	21,644,395
Total assets	39,547,180	19,320,473	58,867,653
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	221,832	26,819	248,651
Amounts related to other postemployment benefits	50,563	1,159	51,722
Total deferred outflows of resources	272,395	27,978	300,373
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	176,058	33,494	209,552
Accrued salaries and benefits	14,255	5,846	20,101
Retainage payable	338,735	134,225	472,960
Accrued interest payable	37,321	-	37,321
Intergovernmental	2,883,125	6,949,408	9,832,533
Bond anticipation notes payable	750,000	850,000	1,600,000
Long term liabilities:			
Due within one year	745,958	-	745,958
Due in more than one year	4,118,705	137,166	4,255,871
Total liabilities	9,064,157	8,110,139	17,174,296
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	1,841,576	2,849,295	4,690,871
Unavailable revenue - prepaid rents	2,300	-	2,300
Amounts related to pensions	42,005	5,079	47,084
Amounts related to other postemployment benefits	12,792	325	13,117
Total deferred inflows of resources	1,898,673	2,854,699	4,753,372
<b>NET POSITION</b>			
Net investment in capital assets	29,924,357	11,613,623	41,537,980
Unrestricted	(1,067,612)	(3,230,010)	(4,297,622)
Total net position	\$ 28,856,745	\$ 8,383,613	\$ 37,240,358

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, 2020**

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
Operating revenues:			
User charges	\$ 3,686,789	\$ 2,912,999	\$ 6,599,788
Other sales	479,960	818,372	1,298,332
Fees and interest	8,795	7,148	15,943
Miscellaneous	96,909	192	97,101
Total operating revenues	<u>4,272,453</u>	<u>3,738,711</u>	<u>8,011,164</u>
Operating expenses:			
Salaries and wages	1,082,572	384,449	1,467,021
Operation and maintenance	417,643	512,096	929,739
Contractual services	884,430	1,916,506	2,800,936
Materials and supplies	34,608	9,753	44,361
Depreciation and amortization	638,705	187,933	826,638
Total operating expenses	<u>3,057,958</u>	<u>3,010,737</u>	<u>6,068,695</u>
Operating gain	<u>1,214,495</u>	<u>727,974</u>	<u>1,942,469</u>
Nonoperating revenue (expense):			
Intergovernmental revenues	9,361,064	361,477	9,722,541
Interest income (loss)	7,163	7,020	14,183
Interest expense	(56,720)	(6,258)	(62,978)
Other	6,195	7,021	13,216
Total nonoperating revenues	<u>9,317,702</u>	<u>369,260</u>	<u>9,686,962</u>
Other financing uses:			
Transfers out	<u>(331,525)</u>	<u>(233,120)</u>	<u>(564,645)</u>
Change in net position	10,200,672	864,114	11,064,786
Net position, beginning, as restated (see Note 22)	<u>18,656,073</u>	<u>7,519,499</u>	<u>26,175,572</u>
Net position, ending	<u>\$ 28,856,745</u>	<u>\$ 8,383,613</u>	<u>\$ 37,240,358</u>

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, 2020**

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$4,113,722	\$ 3,685,477	\$ 7,799,199
Payments to employees for salaries and benefits	(1,237,388)	(397,046)	(1,634,434)
Payments to suppliers	(1,687,086)	(2,538,564)	(4,225,650)
Net cash provided by operating activities	<u>1,189,248</u>	<u>749,867</u>	<u>1,939,115</u>
Cash flows from capital and related financing activities:			
State revolving loan drawdowns	3,091,032	1,746,957	4,837,989
Principal paid on debt	(704,193)	-	(704,193)
Acquisition and construction of capital assets	(2,881,541)	(2,182,999)	(5,064,540)
Interest paid	(26,970)	-	(26,970)
Net cash used for capital and related financing activities	<u>(521,672)</u>	<u>(436,042)</u>	<u>(957,714)</u>
Cash flows from non-capital financing activities:			
Operating transfers out	<u>(331,525)</u>	<u>(233,120)</u>	<u>(564,645)</u>
Cash flows from investing activities:			
Bond anticipation notes received	750,000	850,000	1,600,000
Interest received	7,163	7,019	14,182
Net cash provided by investing activities	<u>757,163</u>	<u>857,019</u>	<u>1,614,182</u>
Net increase in cash	1,093,214	937,724	2,030,938
Cash, beginning	2,687,458	3,369,512	6,056,970
Cash, ending	<u>\$3,780,672</u>	<u>\$ 4,307,236</u>	<u>\$ 8,087,908</u>

**Reconciliation of Operating Gain to Net Cash Provided by Operating Activities**

Operating gain	<u>\$1,214,495</u>	<u>\$ 727,974</u>	<u>\$ 1,942,469</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Depreciation expense	638,705	187,933	826,638
Increase in other receivables	(158,731)	(53,234)	(211,965)
Decrease in prepaid items	29,015	-	29,015
Increase in deferred outflows of resources	(154,133)	(7,522)	(161,655)
Decrease in accounts payable	(379,420)	(100,209)	(479,629)
Decrease in accrued salaries and benefits	(4,915)	(1,655)	(6,570)
Increase/(Decrease) in deferred inflows of resources	4,232	(3,420)	812
Total adjustments	<u>(25,247)</u>	<u>21,893</u>	<u>(3,354)</u>
Net cash provided by operating activities	<u>\$1,189,248</u>	<u>\$ 749,867</u>	<u>\$ 1,939,115</u>

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

**EXHIBIT F-1**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2020**

	Private Purpose Trust Funds	Other Postemployment Trust Fund	All Custodial Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 148,191	\$ -	\$ 31,554,025
Investments	1,607,336	-	-
Intergovernmental receivable	-	50,000	-
Total assets	<u>1,755,527</u>	<u>50,000</u>	<u>31,554,025</u>
<b>LIABILITIES</b>			
Intergovernmental payables:			
School	-	-	28,509,153
Town	18,015	-	-
Total liabilities	<u>18,015</u>	<u>-</u>	<u>28,509,153</u>
<b>NET POSITION</b>			
Restricted	<u>\$ 1,737,512</u>	<u>\$ 50,000</u>	<u>\$ 3,044,872</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, 2020**

	Private Purpose Trust Funds	Other Post Employment Trust Fund	All Custodial Funds
<b>ADDITIONS</b>			
Private contributions	\$ -	\$ -	\$ 25,574
Employer contributions	-	50,000	-
Investment earnings	26,705	-	766
Change in fair market value	187,078	-	-
Tax collections for other governments	-	-	69,319,484
Other	-	-	1,412,286
Total additions	213,783	50,000	70,758,110
<b>DEDUCTIONS</b>			
Benefits paid	22,764	-	-
Administrative expenses	3,523	-	-
Payments of taxes to other governments	-	-	69,519,484
Payments for escrow purposes	-	-	269,380
Total deductions	26,287	-	69,788,864
Change in net position	187,496	50,000	969,246
Net position, beginning, as restated (see Note 22)	1,550,016	-	2,075,626
Net position, ending	\$1,737,512	\$ 50,000	\$ 3,044,872

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, 2020**

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***TOWN OF SALEM, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
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**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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**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 services performed or provided by the organizations; (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 the 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**  
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**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. 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 Project Fund** – the capital project fund accounts for the activity pertaining to the construction/renovation of Town owned property reported in the governmental activities.

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

Additionally, the Town reports the following fund types:

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

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

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports ten 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**  
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The Town reports the following major proprietary funds:

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

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

**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, 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** – 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 Statement of Cash Flows***

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

***1-E Investments***

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

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

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

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

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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**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-F Receivables***

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

***1-G Prepaid Items***

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

***1-H 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.

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

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
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Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

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

***1-I Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (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-J Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 15, 2020 and November 13, 2020, and due on July 1, 2020 and December 22, 2020. 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 2019 on March 17, 2020.

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, 2020 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 4,586,937,157
For all other taxes	\$ 4,676,922,757

The tax rates and amounts assessed for the year ended December 31, 2020 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.16	\$ 33,468,387
School portion:		
State of New Hampshire	\$2.20	10,107,905
Local	\$11.63	54,401,248
County portion	\$1.03	4,810,331
Total	<u>\$22.02</u>	<u>\$ 102,787,871</u>



**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-K Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2020.

***1-L Deferred Outflows/Inflows of Resources***

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (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 receivables not collected within 60 days after year-end, and bond premiums received but not yet amortized. In the government-wide financial statements the Town reports deferred amounts related to pension and OPEB.

***1-M Long-term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund 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.

***1-N Compensated Absences***

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

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

***1-O Claims and Judgments***

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

***1-P Defined Benefit Pension Plan***

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

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

***1-Q Postemployment Benefits Other Than Pensions***

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

***New Hampshire Retirement System Plan*** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

***1-R Net Position/Fund Balances***

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

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

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

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

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

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, 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.

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

When multiple net position/fund balance classifications are available for use, it is the 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-S Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts, tax and ambulance receivables, the useful lives and impairment of tangible and intangible 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.

***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 2020, \$2,663,918 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 each major governmental fund which had a budget.

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 48,983,922
Adjustment:	
Basis differences:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	203,569
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	(462,718)
Per Exhibit C-3 (GAAP basis)	<u>\$ 48,724,773</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 46,810,320
Adjustment:	
Basis differences:	
Encumbrances, beginning	454,843
Encumbrances, ending	(1,924,615)
GASB Statement No. 54:	
To eliminate transfers between general and blended expendable trust funds	(4,730,677)
To recognize transfer between blended expendable trust and other funds	4,650,644
Per Exhibit C-3 (GAAP basis)	<u>\$ 45,260,515</u>

**2-C Deficit Fund Balances**

The Community Development Block Grant (CDBG) special revenue fund and capital projects fund had deficit fund balances at December 31, 2020 of \$2,053 and \$170,003, respectively. The deficits will be financed through future revenues of the special revenue fund and bond proceeds and/or operating transfers that will be issued in the subsequent year for the capital projects fund.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2020, the reported amount of the Town's deposits was \$64,479,957 and the bank balance was \$63,267,063. Of the bank balance \$62,067,306 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 \$1,199,757 (governmental activities \$903,948 and the component unit \$295,809) was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 32,777,741
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	31,702,216
Total cash and cash equivalents	<u>\$ 64,479,957</u>

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**NOTE 4 – RESTRICTED ASSETS**

Cash and cash equivalents are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Capital reserve funds	\$ 4,173,109
Health insurance	167,132
Total restricted assets	<u>\$ 4,340,241</u>

**NOTE 5 – INVESTMENTS**

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

The Town has the following recurring fair value measurements and maturities as of December 31, 2020:

	Valuation Measurement Method	Reported Balance	Less Than 1 Year	1-5 Years	Exempt from Disclosure
Investments type:					
Common stock	Level 1	\$ 1,241,637	\$ -	\$ -	\$ 1,241,637
Corporate bonds	Level 2	80,198	25,554	54,644	-
Equity mutual funds	Level 1	458,245	-	-	458,245
Fixed income mutual fur	Level 2	453,959	-	-	453,959
U.S. Treasury bonds	Level 2	102,924	-	102,924	-
Total fair value		<u>\$ 2,336,963</u>	<u>\$ 25,554</u>	<u>\$ 157,568</u>	<u>\$ 2,153,841</u>

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

**Credit Risk** - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. As of December 31, 2020, the Town's investment pool had the following credit risk structure:

Investments Type	Reported Balance	Rating as of Year End*		
		Aaa	A3	Baa2
Corporate bonds	\$ 80,198	\$ -	\$ 54,644	\$ 25,554
U.S. Treasury bonds	102,924	102,924	-	-
Total	<u>\$ 183,122</u>	<u>\$ 102,924</u>	<u>\$ 54,644</u>	<u>\$ 25,554</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.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 729,627
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	1,607,336
Total investments	<u>\$ 2,336,963</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, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$128,385. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2020	\$3,481,923	\$3,481,923
Unredeemed (under tax lien):		
Levy of 2019	477,320	477,320
Levy of 2018	250,208	250,208
Levies of 2017 and prior	69,656	69,656
Yield	1,004	1,004
Land use change	2,484	2,484
Less: allowance for estimated uncollectible taxes	(128,385) *	-
Net taxes receivable	<u>\$4,154,210</u>	<u>\$4,282,595</u>

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

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2020, 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, 2020 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Total
	General Fund	Capital Projects	Nonmajor Funds	Governmental Funds
Receivables:				
Accounts	\$ 1,703,126	\$ -	\$ 338,746	\$ 2,041,872
Intergovernmental	207,749	282,400	213,442	703,591
Voluntary tax liens	110,113	-	-	110,113
Gross receivables	<u>2,020,988</u>	<u>282,400</u>	<u>552,188</u>	<u>2,855,576</u>
Less: allowance for uncollectibles	<u>(936,630)</u>	<u>-</u>	<u>(25,458)</u>	<u>(962,088)</u>
Net total receivables	<u>\$ 1,084,358</u>	<u>\$ 282,400</u>	<u>\$ 526,730</u>	<u>\$ 1,893,488</u>

(continued)

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*Other receivables continued:*

	Proprietary Funds		Total
	Water	Sewer	Proprietary Funds
Receivables:			
Accounts	\$ 490,025	\$ 344,024	\$ 834,049
Special assessments	1,841,576	2,849,295	4,690,871
Intergovernmental	35,152	239,570	274,722
Welfare liens	-	15,340	15,340
Gross receivables	2,366,753	3,448,229	5,814,982
Less: allowance for uncollectibles	(45,457)	(48,995)	(94,452)
Net total receivables	<u>\$ 2,321,296</u>	<u>\$ 3,399,234</u>	<u>\$ 5,720,530</u>

**NOTE 8 – PREPAID ITEMS**

Prepaid items at December 31, 2020 consisted of the following:

	Business-type Activities	General Fund
Property liability insurance	\$ -	\$ 222,481
Miscellaneous	1,000	13,592
Total	<u>\$ 1,000</u>	<u>\$ 236,073</u>

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance, beginning (as restated)	Additions	Deletions	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 13,356,297	\$ 354,698	\$ -	\$ 13,710,995
Construction in progress	2,235,057	-	(2,235,057)	-
Total capital assets not being depreciated	<u>15,591,354</u>	<u>354,698</u>	<u>(2,235,057)</u>	<u>13,710,995</u>
Being depreciated:				
Land improvements	4,471,779	-	-	4,471,779
Buildings and building improvements	7,629,690	778,502	-	8,408,192
Machinery, equipment, and furnishings	13,528,731	1,247,271	(209,807)	14,566,195
Infrastructure	213,350,927	6,376,781	(1,830,985)	217,896,723
Total capital assets being depreciated	<u>238,981,127</u>	<u>8,402,554</u>	<u>(2,040,792)</u>	<u>245,342,889</u>
Total all capital assets	<u>254,572,481</u>	<u>8,757,252</u>	<u>(4,275,849)</u>	<u>259,053,884</u>
Less accumulated depreciation:				
Land improvements	(608,460)	(221,772)	-	(830,232)
Buildings and building improvements	(4,760,674)	(187,498)	-	(4,948,172)
Machinery, equipment, and furnishings	(8,516,423)	(944,989)	209,807	(9,251,605)
Infrastructure	(155,098,615)	(7,157,682)	1,830,985	(160,425,312)
Total accumulated depreciation	<u>(168,984,172)</u>	<u>(8,511,941)</u>	<u>2,040,792</u>	<u>(175,455,321)</u>
Net book value, capital assets being depreciated	<u>69,996,955</u>	<u>(109,387)</u>	<u>-</u>	<u>69,887,568</u>
Net book value, all governmental activities capital assets	<u>\$ 85,588,309</u>	<u>\$ 245,311</u>	<u>\$ (2,235,057)</u>	<u>\$ 83,598,563</u>

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*Capital assets continued:*

	Balance, beginning (as restated)	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	12,754,832	9,688,988	(451,000)	21,992,820
Total capital assets not being depreciated	14,175,832	9,688,988	(451,000)	23,413,820
Being depreciated:				
Buildings and building improvements	2,036,650	1,533,295	-	3,569,945
Machinery, equipment, and furnishings	5,688,080	-	-	5,688,080
Infrastructure	27,714,755	2,092,031	-	29,806,786
Total capital assets being depreciated	35,439,485	3,625,326	-	39,064,811
Total all capital assets	49,615,317	13,314,314	(451,000)	62,478,631
Less accumulated depreciation:				
Buildings and building improvements	(503,047)	(67,922)	-	(570,969)
Machinery, equipment, and furnishings	(3,316,136)	(169,518)	-	(3,485,654)
Infrastructure	(12,774,595)	(589,198)	-	(13,363,793)
Total accumulated depreciation	(16,593,778)	(826,638)	-	(17,420,416)
Net book value, capital assets being depreciated	18,845,707	2,798,688	-	21,644,395
Net book value, all business-type activities capital assets	\$ 33,021,539	\$ 12,487,676	\$ (451,000)	\$ 45,058,215

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

**Governmental activities:**

General government	\$ 319,905
Public safety	667,591
Highways and streets	7,430,334
Sanitation	11,780
Culture and recreation	82,331
Total depreciation expense	<u>\$ 8,511,941</u>

**Business-type activities:**

Water	\$ 638,705
Sewer	187,933
Total depreciation expense	<u>\$ 826,638</u>

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS**

*Interfund Balances* - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Impact fees	\$ 1,515
	Nonmajor	11,020
	Capital projects	583,977
Capital projects	General	249,350
		<u>\$ 845,862</u>



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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.

**Interfund Transfers** - The composition of interfund transfers for the year ended December 31, 2020 is as follows:

	Transfers In:					Fiduciary Fund OPEB Trust
	Governmental Funds				Total	
	General Fund	Impact Fees	Capital Projects	Nonmajor Funds		
Transfers out:						
<b>Governmental funds:</b>						
General fund	\$ -	\$ -	\$ 4,650,644	\$ 300,000	\$ 4,950,644	\$ 50,000
Impact fees	1,515	-	239,565	-	241,080	-
Nonmajor funds	16,762	91	-	-	16,853	-
<b>Proprietary funds:</b>						
Water	241,525	-	90,000	-	331,525	-
Sewer	233,120	-	-	-	233,120	-
Total	<u>\$ 492,922</u>	<u>\$ 91</u>	<u>\$ 4,980,209</u>	<u>\$ 300,000</u>	<u>\$ 5,773,222</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, 2020, were as follows:

	Governmental Funds		Proprietary Funds		Total
	General	Nonmajor	Water	Sewer	
Salary and wages	\$ 345,274	\$ 10,633	\$ 14,255	\$ 5,846	\$ 376,008
Employee benefits	289,427	-	-	-	289,427
Total accrued liabilities	<u>\$ 634,701</u>	<u>\$ 10,633</u>	<u>\$ 14,255</u>	<u>\$ 5,846</u>	<u>\$ 665,435</u>

**NOTE 12 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2020 consist of the following:

	Governmental Fund General	Proprietary Funds		Total	Fiduciary Funds
		Water	Sewer		
Fees due to the State of New Hampshire	\$ 48,678	\$ -	\$ -	\$ 48,678	\$ -
Amounts due to the State of New Hampshire (unissued SRF loans)	-	2,883,125	6,949,408	9,832,533	-
Balance due to the Town of Salem	-	-	-	-	18,015
Taxes due to the Salem School District	-	-	-	-	28,509,153
Total intergovernmental payables due	<u>\$ 48,678</u>	<u>\$ 2,883,125</u>	<u>\$ 6,949,408</u>	<u>\$ 9,881,211</u>	<u>\$ 28,527,168</u>

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

Deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities	Proprietary Funds		Total Proprietary Funds
			Water	Sewer	
Amounts related to pensions, see Note 17	\$ 13,343,761	\$ 248,651	\$ 221,832	\$ 26,819	\$ 248,651
Amounts related to OPEB, see Note 18	9,748,166	51,722	50,563	1,159	51,722
Total deferred outflows of resources	<u>\$ 23,091,927</u>	<u>\$ 300,373</u>	<u>\$ 272,395</u>	<u>\$ 27,978</u>	<u>\$ 300,373</u>

Deferred inflows of resources are as follows:

	Governmental Activities	Business-type Activities	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ -	\$ 965,656
Property taxes collected in advance of warrants being issued	274,669	-	274,669
Betterment assessments not currently available	-	4,690,871	-
Water rents paid in advance of warrants being issued	-	2,300	-
Bond premiums amortized over life of bond	-	-	56,437
Amounts related to pensions, see Note 17	2,526,722	47,084	-
Amounts related to OPEB, see Note 18	2,422,764	13,117	-
Total deferred inflows of resources	<u>\$ 5,224,155</u>	<u>\$ 4,753,372</u>	<u>\$ 1,296,762</u>

	Proprietary Funds		Total Proprietary Funds
	Water	Sewer	
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ -	\$ -
Property taxes collected in advance of warrants being issued	-	-	-
Betterment assessments not currently available	1,841,576	2,849,295	4,690,871
Water rents paid in advance of warrants being issued	2,300	-	2,300
Bond premiums amortized over life of bond	-	-	-
Amounts related to pensions, see Note 17	42,005	5,079	47,084
Amounts related to OPEB, see Note 18	12,792	325	13,117
Total deferred inflows of resources	<u>\$ 1,898,673</u>	<u>\$ 2,854,699</u>	<u>\$ 4,753,372</u>

**NOTE 14 – CAPITAL LEASE OBLIGATIONS**

The Town has entered into 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, 2020
Capital lease obligations:		
Multiple vehicles and equipment (2018)	2.67%	\$ 130,437
Police vehicles	2.50%	114,386
Fire pumper	1.98%	450,018
Total capital lease obligations		<u>\$ 694,841</u>

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

	Governmental Activities
Equipment:	
Multiple vehicles and equipment (2018)	\$ 757,295
Police vehicles	338,992
Fire pumper	750,221
Total equipment	1,846,508
Less: accumulated depreciation	860,677
Total capital lease equipment	\$ 985,831

The annual requirements to amortize the capital leases payable as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2021	\$ 404,698
2022	155,985
2023	155,985
Total requirements	716,668
Less: interest	21,827
Present value of remaining payments	\$ 694,841

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

**NOTE 15 – SHORT-TERM DEBT**

Changes in the Town's short-term borrowings during the year ended December 31, 2020 consisted of the following:

Business-type activities	Original Issue	Interest Rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
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 of 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, 2020:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 4,319,000	\$ -	\$ (711,000)	\$ 3,608,000	\$ 586,000
Premium	442,292	-	(54,998)	387,294	54,998
Total bonds payable	4,761,292	-	(765,998)	3,995,294	640,998
Capital leases	1,844,288	-	(1,149,447)	694,841	391,898
Compensated absences	3,735,654	28,257	-	3,763,911	40,994
Accrued landfill postclosure care costs	486,000	-	(6,000)	480,000	20,000
Net pension liability	46,323,737	12,406,189	-	58,729,926	-
Net other postemployment benefits	37,469,228	5,183,411	(640,751)	42,011,888	-
Total long-term liabilities	\$ 94,620,199	\$ 17,617,857	\$ (2,562,196)	\$ 109,675,860	\$ 1,093,890

(continued)

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*Long-term liabilities continued:*

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 2,836,000	\$ -	\$ (559,000)	\$ 2,277,000	\$ 559,000
Premium	200,658	-	(39,565)	161,093	39,565
Total bonds payable	3,036,658	-	(598,565)	2,438,093	598,565
Notes payable	1,227,335	-	(145,193)	1,082,142	147,393
Compensated absences	101,502	25,264	-	126,766	-
Net pension liability	863,210	231,180	-	1,094,390	-
Net other postemployment benefits	255,518	16,860	(11,940)	260,438	-
Total long-term liabilities	<u>\$ 5,484,223</u>	<u>\$ 273,304</u>	<u>\$ (755,698)</u>	<u>\$ 5,001,829</u>	<u>\$ 745,958</u>

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
<b>Governmental activities:</b>						
General obligation bonds payable:						
Bridge construction/water improvements	\$ 1,189,909	2013	2023	3.00	\$ 343,000	\$ 121,000
Bridge construction/water improvements	\$ 1,418,000	2014	2024	2.00-3.00	560,000	140,000
Drinking water capacity	\$ 200,000	2019	2024	1.499	160,000	40,000
Depot land acquisition	\$ 2,830,000	2019	2029	1.96	2,545,000	285,000
					<u>3,608,000</u>	<u>586,000</u>
Bond premium					<u>387,294</u>	<u>54,998</u>
Total governmental activities					<u>\$ 3,995,294</u>	<u>\$ 640,998</u>
<b>Business-type activities:</b>						
Water and sewer bonds payable:						
Blake Road project	\$ 695,900	2004	2024	3.00-5.00	\$ 140,000	\$ 35,000
Bridge construction/water improvements	\$ 692,091	2013	2023	3.00	207,000	69,000
Bridge construction/water improvements	\$ 1,900,000	2014	2024	2.00-3.00	740,000	185,000
Water main improvement	\$ 1,110,000	2015	2025	2.00-4.00	550,000	110,000
Drinking water capacity	\$ 800,000	2019	2024	1.499	640,000	160,000
					<u>2,277,000</u>	<u>559,000</u>
Bond premium					<u>161,093</u>	<u>39,565</u>
Water note payable:						
Exit 2 water system improvements	\$ 1,509,273	2018	2027	1.515	1,082,142	147,393
Total business-type activities					<u>\$ 3,520,235</u>	<u>\$ 745,958</u>

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The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2020, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 586,000	\$ 143,015	\$ 729,015
2022	576,000	118,935	694,935
2023	576,000	95,155	671,155
2024	465,000	71,375	536,375
2025	285,000	51,925	336,925
2026-2030	1,120,000	78,400	1,198,400
Totals	<u>\$ 3,608,000</u>	<u>\$ 558,805</u>	<u>\$ 4,166,805</u>

**Business-type activities:**

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 706,393	\$ 98,832	\$ 805,225
2022	708,626	77,029	785,655
2023	710,892	52,994	763,886
2024	644,193	29,000	673,193
2025	266,529	11,657	278,186
2026-2030	322,509	7,365	329,874
Totals	<u>\$ 3,359,142</u>	<u>\$ 276,877</u>	<u>\$ 3,636,019</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 \$480,000 as of December 31, 2020. The estimated total current cost of the landfill postclosure care (\$480,000) 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, 2020. 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 engineer's estimates based on New Hampshire Department of Environmental Safety (NHDES) requirements for financial assurance for landfills. The financial assurance rules were modified in 2014 to provide for financial assurance for 30 years on an on-going basis. The necessary effort and costs for postclosure care will vary with a range of issues, including water quality, NHDES requirements, cap condition, and gas 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 (10 years from now) and continue at the reduced level for an indefinite time frame. The Town's engineer believes a 30-year period from today is a reasonable evaluation period for accounting purposes. The resulting estimate of total costs is \$480,000 as of December 31, 2020.

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**Bonds Authorized and Unissued** – Bonds and notes authorized and unissued as of December 31, 2020 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March, 2014 (WA #8)	Replacement of bridges and culverts	\$ 24
March, 2018 (WA #5)	South Broadway sewer and water pipe	11,650,000
March, 2019 (WA #5)	Drinking water capacity	4,285,000
March, 2020 (WA #9)	Water and sewer improvements	1,600,000
March, 2020 (WA #10)	Culvert replacements **	1,057,500
March, 2020 (WA #11)	Stormwater planning - CWSRF	75,000
March, 2020 (WA #12)	Wastewater asset management - CWSRF	30,000
		<u>\$ 18,697,524</u>

\*March 2017 WA #10 for wastewater and stormwater asset management plans for \$60,000 was issued in 2020 and the entire principal balance of \$60,000 was forgiven.

\*\* This warrant article is contingent upon receiving the grant award from FEMA.

**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.

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**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 fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$4,222,624, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2020 the Town reported a liability of \$59,824,316 (\$58,729,926 for governmental activities and \$1,094,390 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, 2020, 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, 2020, the Town's proportion was 0.94% which was a decrease of 0.04% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$8,270,502. At December 31, 2020 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
Changes in proportion	\$ 241,524	\$ 1,896,130	\$ 4,500	\$ 35,333
Changes in assumptions	5,809,554	-	108,257	-
Net difference between projected and actual investment earnings on pension plan investments	3,632,510	-	67,689	-
Differences between expected and actual experience	1,585,992	630,592	29,554	11,751
Contributions subsequent to the measurement date	2,074,181	-	38,651	-
Total	<u>\$ 13,343,761</u>	<u>\$ 2,526,722</u>	<u>\$ 248,651</u>	<u>\$ 47,084</u>

The \$2,112,832 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, 2021. 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	Governmental	Business-type Activities & Proprietary Funds	Total
December 31,	Activities		
2021	\$ 1,470,881	\$ 27,409	\$ 1,498,290
2022	2,371,527	44,192	2,415,719
2023	2,580,219	48,080	2,628,299
2024	2,320,231	43,236	2,363,467
Thereafter	-	-	-
Totals	<u>\$ 8,742,858</u>	<u>\$ 162,917</u>	<u>\$ 8,905,775</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

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Mortality rates were based on the Pub-2010 Health 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. 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
		2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
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:

	Actuarial		Current Single	
	Valuation	1% Decrease	Rate Assumption	1% Increase
Activities	Date	5.75%	6.75%	7.75%
Governmental	June 30, 2020	\$ 76,031,352	\$ 58,729.925	\$ 44,592,370
Business-type	June 30, 2020	\$ 1,416,789	\$ 1,094,390	\$ 830,946



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**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 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

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

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

Maximum medical subsidy rates paid during fiscal year 2020 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 fiscal year 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$505,618, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At December 31, 2020, the Town reported a liability of \$4,702,826 (\$4,616,795 for governmental activities and \$86,031 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was 1.07% which was a decrease of 0.15% from its proportion measured as of June 30, 2019.

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For the year ended December 31, 2020, the Town recognized OPEB expense of \$114,929. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB 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
Changes in proportion	\$ -	\$ 78,832	\$ -	\$ 1,469
Net difference between projected and actual investment earnings on OPEB plan investments	17,274	-	322	-
Changes in assumptions	29,685	-	553	-
Differences between expected and actual experience	-	13,378	-	249
Contributions subsequent to the measurement date	247,266	-	4,608	-
Total	<u>\$ 294,225</u>	<u>\$ 92,210</u>	<u>\$ 5,483</u>	<u>\$ 1,718</u>

The \$251,874 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities & Proprietary Funds	Total
2021	\$ (61,216)	\$ (1,141)	\$(62,357)
2022	5,114	95	5,209
2023	6,096	114	6,210
2024	4,755	89	4,844
Thereafter	-	-	-
Totals	<u>\$ (45,251)</u>	<u>\$ (843)</u>	<u>\$(46,094)</u>

**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 Health 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, 2019 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.

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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 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2020 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	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Governmental	June 30, 2020	\$ 5,023,359	\$ 4,616,795	\$ 4,272,501
Business-type	June 30, 2020	\$ 83,420	\$ 86,031	\$ 79,615

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

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

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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 and their dependents. Benefits are provided through the Town, and the full cost of benefits is paid by retirees, except for Group II employees who retire under a job-related accidental disability retirement for which the Town pays 100% of the premium for both retiree and spouse.

**Employees Covered by Benefit Terms** – At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	72
Active employees	244
Total participants covered by OPEB plan	<u>316</u>

**Total OPEB Liability** – The Town's total OPEB liability of \$32,369,229 was measured as of January 1, 2020 and was determined by an actuarial valuation of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$32,369,229 in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.12%
Healthcare Cost Trend Rates:	
Current Year Trend	7.50%
Second Year Trend	7.00%
Decrement	0.50%
Ultimate Trend	5.50%
Year Ultimate Trend is Reached	2075

The discount rate used to measure the total OPEB liability was 2.12%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the plan's funding policy. Bases 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 2.12% municipal bond rate was applied to all periods to determine the total OPEB liability.

**Pre-Retirement Mortality**- General and Public Safety employees was based on RP-2014 employees mortality tables for males and females, projected with generational mortality improvement using scale MP-2015.

**Post-Retirement Mortality** – General and Public Safety employees was based on RP-2014 healthy annuitant mortality tables for males and females, projected with generational mortality improvement using scale MP-2015.

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Changes in the Total OPEB Liability**

	December 31,	
	2019	2020
<b>Governmental activities:</b>		
OPEB liability beginning of year	\$ 31,090,093	\$ 32,211,682
Changes for the year:		
Service cost	644,492	661,547
Interest	1,288,189	890,124
Changes in benefit terms	(8,044,898)	-
Differences between actual and expected experience	1,782,667	-
Changes in assumptions and other inputs	6,081,796	4,405,678
Benefit payments	(630,657)	(773,938)
OPEB liability end of year	\$ 32,211,682	\$ 37,395,093
<b>Business-type activities:</b>		
OPEB liability beginning of year	\$ 256,264	\$ 157,547
Changes for the year:		
Service cost	10,244	10,515
Interest	10,877	4,524
Changes in benefit terms	(61,190)	-
Differences between actual and expected experience	(15,001)	-
Changes in assumptions and other inputs	(41,200)	7,693
Benefit payments	(2,447)	(5,872)
OPEB liability end of year	\$ 157,547	\$ 174,407

**Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate** – The January 1, 2020 actuarial valuation was prepared using a discount rate of 2.12%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$30,970,459. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$46,665,783.

	Discount Rate		
	1% Decrease	Baseline 2.12%	1% Increase
Governmental activities	\$ 46,449,149	\$ 37,395,093	\$ 30,826,687
Business-type activities	\$ 216,634	\$ 174,407	\$ 143,772

**Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The January 1, 2020 actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$48,205,511. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$29,733,622.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Governmental activities	\$ 29,595,591	\$ 37,395,093	\$ 47,981,729
Business-type activities	\$ 138,031	\$ 174,407	\$ 223,782

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2020, the Town recognized OPEB expense of \$2,599,389. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB 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
Changes in assumptions	\$8,172,885	\$2,330,555	\$39,973	\$11,399
Differences between expected and actual experience	1,281,056	-	6,266	-
Total	<u>\$9,453,941</u>	<u>\$2,330,555</u>	<u>\$46,239</u>	<u>\$11,399</u>

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

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2021	\$1,027,653	\$5,026	\$1,032,679
2022	1,027,653	5,026	1,032,679
2023	1,027,653	5,026	1,032,679
2024	1,196,350	5,851	1,202,201
2025	1,652,466	8,082	1,660,548
Thereafter	1,191,612	5,828	1,197,440
Totals	<u>\$7,123,387</u>	<u>\$34,839</u>	<u>\$7,158,226</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, 2020 and are as follows:

General fund:	
General government	\$395,159
Public safety	475,215
Highways and streets	141,547
Sanitation	11,434
Culture and recreation	8,488
Capital outlay	892,772
Total encumbrances	<u>\$1,924,615</u>

**NOTE 20 – NET POSITION**

Net position reported on the government-wide and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Government-wide Financial Statements			Component Unit	Fiduciary Funds
	Governmental Activities	Business-type Activities	Total		
Net investment in capital assets:					
Net book value, all capital assets	\$83,598,563	\$45,058,215	\$128,656,778	\$-	\$-
Less:					
General obligation bonds payable	(3,608,000)	(2,277,000)	(5,885,000)	-	-
Unamortized bond premiums	(387,294)	(161,093)	(548,387)	-	-
Notes payable	-	(1,082,142)	(1,082,142)	-	-
Capital leases payable	(694,841)	-	(694,841)	-	-
Total net investment in capital assets	<u>78,908,428</u>	<u>41,537,980</u>	<u>120,446,408</u>	<u>-</u>	<u>-</u>

(Continued)

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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*Net position continued:*

	Government-wide Financial Statements				
	Governmental Activities	Business-type Activities	Total	Component Unit	Fiduciary Funds
Restricted net position:					
Perpetual care - nonexpendable	572,217	-	572,217	-	-
Perpetual care - expendable	77,768	-	77,768	-	-
Grants and donations	409,864	-	409,864	-	-
Library	79,372	-	79,372	-	-
Police forfeiture	105,918	-	105,918	-	-
Salem Council on Aging, Inc.	-	-	-	613,318	-
Individuals, organizations, and other governments	-	-	-	-	4,782,384
OPEB trust	-	-	-	-	50,000
Total restricted net position	1,245,139	-	1,245,139	613,318	4,832,384
Unrestricted	(58,895,990)	(4,297,622)	(63,193,612)	-	-
Total net position	\$ 21,257,577	\$ 37,240,358	\$ 58,497,935	\$ 613,318	\$ 4,832,384

**NOTE 21 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Impact Fees Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Prepaid items	\$ 236,073	\$ -	\$ -	\$ -	\$ 236,073
Perpetual care - nonexpendable	-	-	-	572,217	572,217
Total nonspendable fund balance	236,073	-	-	572,217	808,290
<b>Restricted:</b>					
Bond proceeds	82,972	-	-	-	82,972
Perpetual care - expendable	-	-	-	77,768	77,768
Grants and donations	-	-	-	409,864	409,864
Police forfeiture	-	-	-	105,918	105,918
Library	-	-	-	79,372	79,372
Total restricted fund balance	82,972	-	-	672,922	755,894
<b>Committed:</b>					
Expendable trusts	3,923,759	-	-	-	3,923,759
MetLife investments fair market value adjustment	78,349	-	-	-	78,349
Impact fees	-	4,062,533	-	-	4,062,533
Cable TV	-	-	-	314,932	314,932
Conservation	-	-	-	1,012,850	1,012,850
Fire outside details	-	-	-	21,932	21,932
Police outside details	-	-	-	690,186	690,186
Recreation	-	-	-	162,495	162,495
Total committed fund balance	4,002,108	4,062,533	-	2,202,395	10,267,036

*(Continued)*

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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*Governmental fund balances continued:*

	General Fund	Impact Fees Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Assigned:</b>					
Encumbrances	1,924,615	-	-	-	1,924,615
Contingency	3,130,350	-	-	-	3,130,350
Total assigned fund balance	5,054,965	-	-	-	5,054,965
<b>Unassigned (deficit)</b>	11,638,627	-	(170,003)	(2,053)	11,466,571
Total governmental fund balances (deficit)	\$ 21,014,745	\$ 4,062,533	\$ (170,003)	\$ 3,445,481	\$ 28,352,756

**NOTE 22 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2020 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Other Governmental Funds
To restate the value of capital assets	\$ 690,769	\$ 499,299	\$ -
To reclassify developer escrows as custodial funds	(710,852)	-	(710,852)
To record beginning balance of component unit	-	-	-
Net position/fund balance, as previously reported	21,034,248	25,676,273	3,491,780
Net position/fund balance, as restated	\$ 21,014,165	\$ 26,175,572	\$ 2,780,928

  

	Water Fund	Fiduciary Funds	Component Unit
To restate the value of capital assets	\$ 499,299	\$ -	\$ -
To reclassify developer escrows as custodial funds	-	710,852	-
To record beginning balance of component unit	-	-	648,199
Net position/fund balance, as previously reported	18,156,774	2,914,790	-
Net position/fund balance, as restated	\$ 18,656,073	\$ 3,625,642	\$ 648,199

**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 2020, 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, 2020 to December 31, 2020 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 assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$444,963 and \$958,647 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.



**TOWN OF SALEM, NEW HAMPSHIRE**  
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**NOTE 24 – DONATION**

In conjunction with the Town's regional water line capital project, the State of New Hampshire is also constructing water lines and pumping stations, which are directly paid for by the State. Upon completion, ownership and maintenance of the lines are transferred to the Town. The valuation of this infrastructure donated to the Town in 2020 was \$1,130,000.

**NOTE 25 – CONTINGENT LIABILITIES**

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

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

**NOTE 26 – 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.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$1,211,553. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

**NOTE 27 – 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 2020.

**NOTE 28 – OPEB TRUST**

At the Town's 2020 annual election Warrant Article No. 17 was approved establishing an OPEB trust pursuant to RSA chapter 31:19-c for the purpose of paying for other-postemployment benefits to employees and their beneficiaries after their termination of service with funding of \$50,000, coming from the general fund.

The trust was formally established in January 2021.

**NOTE 29 – 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.

***TOWN OF SALEM, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
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Management has evaluated subsequent events through July 29, 2021, the date the December 31, 2020 financial statements were available to be issued, and the following occurred that requires recognition or disclosure:

At the March 2021 Annual Town election, the following articles were approved:

- Warrant Article #11 – Authorizing the Town to enter into a long term lease agreement in the amount of \$957,837 for the purchase of an ambulance and a truck for the fire department, two utility command vehicles for the police department, a front-line utility truck, a large dump truck and a large six wheel multipurpose truck for the municipal services department.
- Warrant Article #12 – Authorizing the issuance of not more than \$75,000 of bonds or notes for the purpose of stormwater planning work relative to management of the municipal storm drain system. Also authorizing the Board of Selectmen to apply for a clean water state revolving fund loan (CWSRF).

Additionally, bonds totaling \$2,883,125 for the State of New Hampshire Drinking Water State Revolving Loan Fund Program were issued, for the replacement of water distribution mains along Main Street and South Broadway Street. These bonds were issued on April 1, 2021 at 0.81% interest. Bonds totaling \$6,949,408 for the State of New Hampshire Clean Water State Revolving Loan Fund Program were issued for the South Broadway sewer and bridge improvements. A total of \$347,470 of the principal balance will be forgiven in 2021. These bonds were issued on March 15, 2021 at 2.00% interest. Bonds totaling \$1,180,000 were issued in July 2021 for the West Dunston Neighborhood project which will offset the bond anticipation notes issued in 2020 in the proprietary water and sewer funds.

**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, 2020*

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's:								
Proportion of the net pension liability	0.96%	1.01%	1.00%	0.99%	0.97%	0.97%	0.98%	0.94%
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
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
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%
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%

**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, 2020*

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 2,385,091	\$ 3,267,177	\$ 3,369,755	\$ 3,556,439	\$ 3,566,426	\$ 4,106,124	\$ 4,267,740	\$ 4,155,073
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
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

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

**Other Information:**

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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**EXHIBIT I**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2020*

	December 31,				
	2016	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.83%	0.80%	1.20%	1.22%	1.07%
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
Town's covered payroll	\$ 17,795,519	\$ 18,538,018	\$ 19,239,017	\$ 20,057,803	\$ 19,853,485
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%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

**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, 2020*

	December 31,				
	2016	2017	2018	2019	2020
Contractually required contribution	\$ 479,403	\$ 475,631	\$ 532,806	\$ 557,477	\$ 498,715
Contributions in relation to the contractually required contribution	479,403	475,631	532,806	557,477	498,715
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 17,795,519	\$ 18,538,018	\$ 19,239,017	\$ 20,057,803	\$ 19,853,485
Contributions as a percentage of covered payroll	2.69%	2.57%	2.77%	2.78%	2.51%

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

**EXHIBIT K**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios*  
*Retiree Health Benefit Program*  
*For the Fiscal Year Ended December 31, 2020*

	December 31,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 34,442,040	\$ 31,346,357	\$ 32,369,229
Changes for the year:			
Service cost	738,885	654,736	672,062
Interest	1,196,371	1,299,066	894,648
Changes to benefit terms	-	(8,106,088)	-
Differences between actual and expected experience	(4,225,561)	1,767,666	
Changes of assumptions or other inputs	-	6,040,596	4,413,371
Change in actuarial cost method	-	-	-
Benefit payments	(805,378)	(633,104)	(779,810)
OPEB liability, end of year	<u>\$ 31,346,357</u>	<u>\$ 32,369,229</u>	<u>\$ 37,569,500</u>
Covered payroll	<u>\$ 18,879,190</u>	<u>\$ 20,168,260</u>	<u>\$ 20,813,862</u>
Total OPEB liability as a percentage of covered payroll	166.04%	160.50%	180.50%

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



**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

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

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2020. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2/0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

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

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2020. 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.

The following assumptions were changed in the current year:

- The discount rate changed from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020.
- The inflation rate was updated for the valuation and impacted the total OPEB liability by \$88,000.

**TOWN OF SALEM, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

***Actuarial Assumptions and Methods***

Valuation Date	January 1, 2019
Disclosure Date	December 31, 2020
GASB 75 Reporting Date	December 31, 2020
Municipal Bond Rate	2.12%, based on the Bond Buyer 20-Bon GO index published on December 29, 2020.
Discount Rate (GASB)	2.12%, compounded annually, for the measurement as of December 31, 2020. 2.74%, compounded annually, for the measurement as of December 31, 2019.  Based on a tax-exempt, high-quality municipal bond rate.
Discount Rate (ADEC)	2.74%, compounded annually, for development of the Actuarially Determined Contribution (ADEC) as of December 31, 2020.
Amortization Method	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.

**Health Care Cost Trend Rates**

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

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

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

New Hampshire Retirement System Medical Subsidy Increases	No future increases are assumed.
Inflation	2.4% per year, based on the 2020 Social Security Trustees Report published April 22, 2020.
Participation Rates	Medical – 50% of eligible retired employees will elect to participate. Medical – 100% of eligible employees retiring as a result of an accidental disability will elect to participate. Dental – None assumed since retirees may elect coverage at their own expense. Life – Not offered to retired employees. Medicare – All retired employees are assumed to enroll in Medicare at age 65.

***TOWN OF SALEM, NEW HAMPSHIRE***  
***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –***  
***OTHER POSTEMPLOYMENT BENEFIT LIABILITY***  
***FOR THE FISCAL YEAR ENDED***  
***DECEMBER 31, 2020***

Dependent Status

Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee.

90% of employees are assumed to retire with a covered spouse.

For current retired employees, the actual census information is used.

**SCHEDULE 1**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2020*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 32,224,879	\$ 31,989,099	\$ (235,780)
Yield	1,000	5,929	4,929
Payment in lieu of taxes	75,000	79,402	4,402
Other	10,000	39,506	29,506
Interest and penalties on taxes	173,100	226,776	53,676
Total from taxes	<u>32,483,979</u>	<u>32,340,712</u>	<u>(143,267)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	51,750	54,355	2,605
Motor vehicle permit fees	6,350,000	7,145,920	795,920
Building permits	1,105,000	1,166,728	61,728
Other	324,625	319,507	(5,118)
Total from licenses, permits, and fees	<u>7,831,375</u>	<u>8,686,510</u>	<u>855,135</u>
Intergovernmental:			
State:			
Shared revenues	306,548	306,548	-
Meals and rooms distribution	1,515,905	1,515,905	-
Highway block grant	659,426	659,353	(73)
Federal:			
FEMA	-	140,762	140,762
Other	243,817	486,143	242,326
Total from intergovernmental	<u>2,725,696</u>	<u>3,108,711</u>	<u>383,015</u>
Charges for services:			
Income from departments	<u>2,595,253</u>	<u>2,703,492</u>	<u>108,239</u>
Miscellaneous:			
Sale of municipal property	1,000	6,570	5,570
Interest on investments	100,000	37,561	(62,439)
Other	<u>1,176,542</u>	<u>1,607,444</u>	<u>430,902</u>
Total from miscellaneous	<u>1,277,542</u>	<u>1,651,575</u>	<u>374,033</u>
Other financing sources:			
Transfers in	537,820	492,922	(44,898)
Bond proceeds	75,000	-	(75,000)
Total other financing sources	<u>612,820</u>	<u>492,922</u>	<u>(119,898)</u>
Total revenues and other financing sources	<u>47,526,665</u>	<u>\$ 48,983,922</u>	<u>\$ 1,457,257</u>
Unassigned fund balance used to reduce tax rate	2,663,918		
Total revenues, other financing sources, and use of fund balance	<u>\$ 50,190,583</u>		

**SCHEDULE 2**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2020**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 590,319	\$ 570,697	\$ -	\$ 19,622
Election and registration	-	297,838	309,595	-	(11,757)
Financial administration	39,859	2,540,654	2,164,672	259,298	156,543
Legal	-	168,360	118,492	-	49,868
Personnel administration	-	1,743,849	1,527,332	-	216,517
Planning and zoning	-	609,483	590,478	-	19,005
General government buildings	36,530	196,168	243,304	9,187	(19,793)
Cemeteries	2,022	573,752	491,346	19,141	65,287
Insurance, not otherwise allocated	3,761	363,531	354,131	4,288	8,873
Other	36,761	706,843	647,636	103,245	(7,277)
Total general government	118,933	7,790,797	7,017,683	395,159	496,888
Public safety:					
Police	8,057	12,310,127	10,634,954	63,258	1,619,972
Fire	134,078	13,182,654	12,735,665	380,707	200,360
Building inspection	-	875,409	748,328	31,250	95,831
Emergency management	-	-	47,290	-	(47,290)
Total public safety	142,135	26,368,190	24,166,237	475,215	1,868,873
Highways and streets:					
Administration	25,815	528,502	517,815	-	36,502
Highways and streets	9,470	2,995,629	2,549,380	48,289	407,430
Street lighting	6,882	654,710	527,205	93,258	41,129
Total highways and streets	42,167	4,178,841	3,594,400	141,547	485,061
Sanitation:					
Solid waste disposal	-	1,018,607	1,177,242	11,434	(170,069)
Health:					
Pest control	-	108,303	68,553	-	39,750
Welfare:					
Administration and direct assistance	-	172,294	123,950	-	48,344
Vendor payments and other	-	113,500	88,500	-	25,000
Total welfare	-	285,794	212,450	-	73,344
Culture and recreation:					
Parks and recreation	-	586,568	508,850	8,488	69,230
Library	-	1,582,730	1,378,913	-	203,817
Patriotic purposes	-	23,250	5,000	-	18,250
Other	8,311	49,499	45,046	-	12,764
Total culture and recreation	8,311	2,242,047	1,937,809	8,488	304,061
Debt service:					
Principal of long-term debt	-	711,000	711,000	-	-
Interest on long-term debt	-	171,469	171,470	-	(1)
Interest on tax anticipation notes	-	1	-	-	1
Other	-	250	-	-	250
Total debt service	-	882,720	882,470	-	250

(continued)

**SCHEDULE 2, CONTINUED**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Major General Fund**

***Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)***  
***For the Fiscal Year Ended December 31, 2020***

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	143,297	2,234,607	1,203,027	892,772	282,105
Other financing uses:					
Transfers out		5,080,677	5,080,677		
Total appropriations, expenditures, other financing uses, and encumbrances	\$454,843	\$ 50,190,583	\$45,340,548	\$ 1,924,615	\$ 3,380,263

**SCHEDULE 3**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2020**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 12,303,435
Changes:		
Unassigned fund balance used to reduce 2020 tax rate		(2,663,918)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,457,257	
Unexpended balance of appropriations (Schedule 2)	3,380,263	
2020 Budget surplus		4,837,520
Decrease in nonspendable fund balance		136,468
Decrease in restricted fund balance		20,743
Increase in assigned fund balance (non-encumbrance)		(2,158,350)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		12,475,898
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(965,656)
Elimination of the allowance for uncollectible taxes		128,385
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u>\$ 11,638,627</u>

**SCHEDULE 4**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**December 31, 2020**

	Special Revenue Funds			
	Cable TV	CDBG	Conservation Commission	Fire Outside Details
<b>ASSETS</b>				
Cash and cash equivalents	\$ 191,776	\$ -	\$ 1,012,850	\$ 21,384
Investments	-	-	-	-
Receivables, net of allowance for uncollectable:				
Accounts	146,313	-	-	548
Intergovernmental receivables	-	-	-	-
Total assets	<u>\$ 338,089</u>	<u>\$ -</u>	<u>\$ 1,012,850</u>	<u>\$ 21,932</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 18,768	\$ 187	\$ -	\$ -
Accrued salaries and benefits	4,389	-	-	-
Interfund payable	-	1,866	-	-
Total liabilities	<u>23,157</u>	<u>2,053</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficit):</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	314,932	-	1,012,850	21,932
Unassigned	-	(2,053)	-	-
Total fund balances (deficit)	<u>314,932</u>	<u>(2,053)</u>	<u>1,012,850</u>	<u>21,932</u>
Total liabilities and fund balances	<u>\$ 338,089</u>	<u>\$ -</u>	<u>\$ 1,012,850</u>	<u>\$ 21,932</u>



Special Revenue Funds						
Grants and Donations	Police Forfeiture	Police Outside Details	Recreation	Library	Permanent Fund	Total
\$ 223,603	\$ 105,918	\$ 504,545	\$ 162,966	\$ 79,372	\$ 42,004	\$ 2,344,418
-	-	-	-	-	617,135	617,135
-	-	191,885	-	-	-	338,746
187,984	-	-	-	-	-	187,984
<u>\$ 411,587</u>	<u>\$ 105,918</u>	<u>\$ 696,430</u>	<u>\$ 162,966</u>	<u>\$ 79,372</u>	<u>\$ 659,139</u>	<u>\$ 3,488,283</u>
\$ 1,723	\$ -	\$ -	\$ 471	\$ -	\$ -	\$ 21,149
-	-	6,244	-	-	-	10,633
-	-	-	-	-	9,154	11,020
<u>1,723</u>	<u>-</u>	<u>6,244</u>	<u>471</u>	<u>-</u>	<u>9,154</u>	<u>42,802</u>
-	-	-	-	-	572,217	572,217
409,864	105,918	-	-	79,372	77,768	672,922
-	-	690,186	162,495	-	-	2,202,395
-	-	-	-	-	-	(2,053)
<u>409,864</u>	<u>105,918</u>	<u>690,186</u>	<u>162,495</u>	<u>79,372</u>	<u>649,985</u>	<u>3,445,481</u>
<u>\$ 411,587</u>	<u>\$ 105,918</u>	<u>\$ 696,430</u>	<u>\$ 162,966</u>	<u>\$ 79,372</u>	<u>\$ 659,139</u>	<u>\$ 3,488,283</u>

**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, 2020**

	Special Revenue Funds			
	Cable TV	CDBG	Conservation Commission	Fire Outside Details
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 2,484	\$ -
Intergovernmental	-	44,738	400	-
Charges for services	-	-	-	22,671
Miscellaneous	567,013	-	5,665	36
Total revenues	567,013	44,738	8,549	22,707
<b>Expenditures:</b>				
Current:				
General government	523,510	-	-	-
Public safety	-	-	-	22,039
Culture and recreation	-	-	-	-
Conservation	-	-	6,178	-
Capital outlay	-	46,307	-	-
Total expenditures	523,510	46,307	6,178	22,039
Excess (deficiency) of revenues over (under) expenditures	43,503	(1,569)	2,371	668
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(7,500)	-	-	-
Total other financing sources (uses)	(7,500)	-	-	-
Net change in fund balances	36,003	(1,569)	2,371	668
Fund balances (deficit), beginning, as restated (see Note 22)	278,929	(484)	1,010,479	21,264
Fund balances (deficit), ending	\$ 314,932	\$ (2,053)	\$ 1,012,850	\$ 21,932

Special Revenue Funds						
Grants and Donations	Police Forfeiture	Police Outside Details	Recreation	Library	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,484
1,485,727	-	-	-	-	-	1,530,865
-	-	1,830,842	43,292	-	-	1,896,805
30,976	31,843	639	361	11,233	88,323	736,089
1,516,703	31,843	1,831,481	43,653	11,233	88,323	4,166,243
74,863	-	5,760	-	-	1,401	605,534
1,366,278	35,193	1,631,226	-	-	-	3,054,736
3,429	-	-	61,836	3,072	-	68,337
-	-	-	-	-	-	6,178
3,745	-	-	-	-	-	50,052
1,448,315	35,193	1,636,986	61,836	3,072	1,401	3,784,837
68,388	(3,350)	194,495	(18,183)	8,161	86,922	381,406
300,000	-	-	-	-	-	300,000
(199)	-	-	-	-	(9,154)	(16,853)
299,801	-	-	-	-	(9,154)	283,147
368,189	(3,350)	194,495	(18,183)	8,161	77,768	664,553
41,675	109,268	495,691	180,678	71,211	572,217	2,780,928
\$ 409,864	\$ 105,918	\$ 690,186	\$ 162,495	\$ 79,372	\$ 649,985	\$ 3,445,481

**SCHEDULE 6**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Fiduciary Net Position**  
**December 31, 2020**

	Custodial Funds				Total
	Taxes	Trust Funds	School Impact Fees	Developer Escrows	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 28,509,153	\$ 249,235	\$ 1,940,414	\$ 855,223	\$ 31,554,025
<b>LIABILITIES AND NET POSITION</b>					
Liabilities:					
Intergovernmental payables:					
School	\$ 28,509,153	\$ -	\$ -	\$ -	\$ 28,509,153
<b>NET POSITION</b>					
Restricted	-	249,235	1,940,414	855,223	3,044,872
Total liabilities and net position	\$ 28,509,153	\$ 249,235	\$ 1,940,414	\$ 855,223	\$ 31,554,025

**SCHEDULE 7**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2020**

	Custodial Funds				Total
	Taxes	Trust Funds	School Impact Fees	Developer Escrows	
<b>Additions:</b>					
Private contributions	\$ -	\$ 25,574	\$ -	\$ -	\$ 25,574
Investment earnings	-	766	-	-	766
Tax collections for other governments	69,319,484	-	-	-	69,319,484
Other	-	-	998,535	413,751	1,412,286
Total additions	69,319,484	26,340	998,535	413,751	70,758,110
<b>Deductions</b>					
Payments to other governments	69,319,484	-	200,000	-	69,519,484
Payments for escrow purposes	-	-	-	269,380	269,380
Total deductions	69,319,484	-	200,000	269,380	69,788,864
Net increase in fiduciary net position	-	26,340	798,535	144,371	969,246
Net position, beginning, as restated (see Note 22)	-	222,895	1,141,879	710,852	2,075,626
Net position, ending	\$ -	\$ 249,235	\$ 1,940,414	\$ 855,223	\$ 3,044,872



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the Town of Salem, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Salem's basic financial statements, and have issued our report thereon dated July 29, 2021.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Salem's internal control over financial reporting (internal control) 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 the Town of Salem's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem's internal control.

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

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

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Salem's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

July 29, 2021



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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

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

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Town of Salem's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of Salem's major federal program for the year ended December 31, 2020. The Town of Salem's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

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

In our opinion, the Town of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

#### ***Report on Internal Control Over Compliance***

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

***Town of Salem***

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

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

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

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

*Sheryl A. Platt, CPA*

July 29, 2021

PLODZIK & SANDERSON  
Professional Association



**SCHEDULE I**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2020**

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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   X   no
- Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   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   X   no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?   X   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, 2020*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Provided to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program:				
Millville Arms	14.228	19-201-CDHS-001	\$ -	\$ 46,120
Friendship Drive	14.228	20-201-CDPF	-	187
<i>PROGRAM TOTAL</i>			-	46,307
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed Through the Rockingham County Sheriff's Office				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	9,408
Passed Through the New Hampshire Department of Justice				
COVID-19 - Coronavirus Emergency Supplemental Funding Program:				
DOJ Ventilators Grant	16.034	2020COV22	-	96,977
JAG Coronavirus Grant	16.034	2020-VD-BX-1209	-	29,079
<i>PROGRAM TOTAL</i>			-	126,056
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction:				
NH Route 28/97 Intersection Improvements	20.205	12334	-	208,342
Rail Trail Phase VI	20.205	41750	-	17,125
<i>PROGRAM TOTAL</i>			-	225,467
Passed Through the New Hampshire Department of Safety				
State and Community Highway Safety:				
DWI Patrols	20.600	20-07-04	-	8,998
Sustained Traffic Enforcement Patrol (STEP)	20.600	20-02-04	-	9,828
Distracted Driving	20.600	20-04-04	-	4,914
Operation Safe Commute	20.600	20-02-11	-	604
Drive Sober or Get Pulled Over	20.600	20-07-11	-	736
<i>PROGRAM TOTAL</i>			-	25,080
<b>U.S. DEPARTMENT OF TREASURY</b>				
Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)				
COVID-19 - Coronavirus Relief Fund:				
First Responder Stipend	21.019	N/A	-	335,485
Municipal Aid	21.019	N/A	-	697,563
<i>PROGRAM TOTAL</i>			-	1,033,048
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Passed Through the New Hampshire Department of Environmental Services				
Diesel Emissions Reduction Act (DERA) State Grants	66.040	00A00175-2019-006	-	46,640
Capitalization Grants for Drinking Water State Revolving Funds:				
South Broadway Water Main (Note 4)	66.468	2051010-01	-	203,375
Asset Management Planning Grant	66.468	FS991150-18	-	10,000
<i>PROGRAM TOTAL</i>			-	213,375

(continued)

The accompanying notes are an integral part of this schedule.

**SCHEDULE II (continued)**  
**TOWN OF SALEM, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended December 31, 2020*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>				
Passed Through the New Hampshire Secretary of State's Office				
COVID-19 - HAVA Election Security Grants	90.404	DC20101CARES	-	52,449
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through the New Hampshire Department of Safety				
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243	5479SP080286-02	-	3,745
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>				
Passed Through the Town of Scarborough, Maine				
High Intensity Drug Trafficking Areas Program	95.001	N/A	-	13,576
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through the New Hampshire Department of Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	-	337,290
<b>DIRECT FUNDING</b>				
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Equitable Sharing Program	16.922	N/A	-	35,193
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	309,350
<i>Total Expenditures of Federal Awards</i>			<u>\$ -</u>	<u>\$ 2,476,984</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, 2020**

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

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Salem under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Salem, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Salem.

***Note 2. Summary of Significant Accounting Policies***

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

***Note 3. Indirect Cost Rate***

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

***Note 4. Loans Outstanding***

The Town of Salem had the following loan balance outstanding at December 31, 2020. The loans made during the year are included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balances at December 31, 2020</i>
66.468	Capitalization Grants for Drinking Water State Revolving Funds	\$2,281,064