

**TOWN OF SALEM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022**

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Town Council and Town Manager
Town of Salem
Salem, New Hampshire

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Salem as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Salem, as of December 31, 2022, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Town of Salem
Independent Auditor's Report

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

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

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

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2022 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023 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. Pratt, CPA

September 18, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Salem, New Hampshire (the Town) annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the calendar year ending December 31, 2022. 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 \$65,346,554 (net position) for the calendar year reported. This is a change of \$3,159,717 in comparison to the prior year, as restated. Of that amount at December 31, 2022, \$(54,169,574) is considered unrestricted (unrestricted net position), a change of \$1,736,607 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 change in 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 \$(54,169,574), a change of \$1,736,607 in comparison to the prior year. The unrestricted net position of business-type activities was \$0, a change of \$0 in comparison to the prior year.
- The total cost of all Town services for calendar year 2022 was \$66,858,906, as compared to \$63,316,565 the prior year, an increase of \$3,542,341 or 5.6%. Of the total cost of services, \$59,000,458 was spent on governmental activities (compared to \$55,056,291 in the prior year) and an additional \$7,858,448 was spent on business type activities consisting of the water and sewer funds (compared to \$8,260,274 in the prior year).
- At December 31, 2022, the Town's governmental funds reported a combined ending balance of \$33,635,517, a change of \$2,356,467 in comparison to prior year, as restated. The Town's business type activities reported a combined ending fund balance of \$41,572,920, a change of \$2,369,648 in comparison to the prior year.
- At the end of calendar year 2022, unassigned fund balance for the general fund was \$14,200,238, a change of \$249,365 in comparison to the prior year.
- Total long-term debt (bonds and notes payable) at the close of the fiscal year 2022 was \$13,698,367, a change of \$(2,023,036) in comparison to the prior year. The Town did not issue any long term bonds/loans in fiscal year 2022. The Town did issue a \$6,698,000 bond anticipation note in fiscal year 2022.
- 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 previously reported a component unit, the Salem Council on Aging, Inc (SCOA). During fiscal year 2022 the SCOA filed the necessary paperwork to separate the organization from the Town of Salem, NH. This organization is no longer under the control of the Town of Salem, NH's Board of Selectmen/Town Council (see Note 28 "Subsequent Events").

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Salem, New Hampshire's finances in a manner similar to a private sector business. These statements provide both long-term and short-

term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

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

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

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

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

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

The government-wide financial statements are presented on pages 12-13 of this report.

Fund Financial Statements

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

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

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

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. These two perspectives may provide insight into the long-term impact of short-term financing decisions. The financial statements contain a reconciliation between the government-wide and fund financial statements to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 14-17 of this report.

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

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

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

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 24 of this report.

Required Supplementary Information

This management's discussion and analysis and the schedule of the Town's proportionate share of net pension liability, schedule of the town's contributions – pensions, schedule of the Town's proportionate share of the net other postemployment benefits liability, schedule of the Town's contributions – other postemployment benefits, schedule of changes in the Town's net other postemployment benefits liability and related ratios, and schedule of Town contributions other postemployment benefits are presented as required supplementary information and begins on page 59.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Town's budget presentations for the general fund. Also, combining and individual schedules for nonmajor funds, and custodial funds are presented in this section of this report beginning on page 67.

Government-Wide Financial Analysis

| | Summary of Net Position | | | | | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental activities | | Business-type activities | | Total | |
| | 2022 | 2021 (restated) | 2022 | 2021 (restated) | 2022 | 2021 (restated) |
| Assets and deferred outflows: | | | | | | |
| Current and other assets | \$ 73,958,635 | \$ 65,197,992 | \$ 20,598,441 | \$ 13,260,751 | \$ 94,557,076 | \$ 78,458,743 |
| Capital assets | 80,972,289 | 83,067,800 | 46,320,334 | 44,984,639 | 127,292,623 | 128,052,439 |
| Deferred outflows | 20,399,469 | 22,800,279 | 288,597 | 222,147 | 20,688,066 | 23,022,426 |
| Total assets and deferred outflows | 175,330,393 | 171,066,071 | 67,207,372 | 58,467,537 | 242,537,765 | 229,533,608 |
| Liabilities and deferred inflows: | | | | | | |
| Current liabilities | 37,550,056 | 33,017,528 | 8,484,805 | 2,136,420 | 46,034,861 | 35,153,948 |
| Noncurrent liabilities | 96,998,235 | 98,035,866 | 10,643,614 | 11,552,621 | 107,641,849 | 109,588,487 |
| Deferred inflows | 17,008,468 | 17,027,112 | 6,506,033 | 5,575,224 | 23,514,501 | 22,602,336 |
| Total liabilities and deferred inflows | 151,556,759 | 148,082,506 | 25,634,452 | 19,264,265 | 177,191,211 | 167,344,771 |
| Net position: | | | | | | |
| Net investment in capital assets | 76,586,860 | 77,517,656 | 35,984,429 | 33,207,050 | 112,571,289 | 110,724,706 |
| Restricted | 1,356,348 | 1,372,090 | 5,588,491 | 5,996,222 | 6,944,839 | 7,368,312 |
| Unrestricted | (54,169,574) | (55,906,181) | - | - | (54,169,574) | (55,906,181) |
| Total net position | \$ 23,773,634 | \$ 22,983,565 | \$ 41,572,920 | \$ 39,203,272 | \$ 65,346,554 | \$ 62,186,837 |

The largest portion of the Town's total net position (172% 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 (11% 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 \$(54,169,574) ((83% 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, 2022, the Town's share of this liability was \$52.2 million. The New Hampshire Retirement System has a statutory funding schedule in which the goal is to reach 100% plan funding by June 30, 2039. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits* details the recognition and disclosure requirements for state and local employers for postemployment benefits other than pensions. Additionally, the Town had an OPEB liability of \$4.2 million as of December 31, 2022.

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 \$3,159,717 during the current calendar year. Governmental activities net position increased by \$790,069 or 3% during calendar year 2022. 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 \$2,369,648 or 6% during the calendar year.

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 the calendar year 2022.

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

| | Summary of Changes in Net Position | | | | | | Total | |
|---|------------------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|-------|--|
| | Governmental activities | | Business-type activities | | 2022 | 2021 (as restated) | | |
| | 2022 | 2021 (as restated) | 2022 | 2021 (as restated) | | | | |
| Revenues: | | | | | | | | |
| Program: | | | | | | | | |
| Charges for services | \$ 4,173,068 | \$ 4,758,149 | \$ 8,414,549 | \$ 8,477,948 | \$ 12,587,617 | \$ 13,236,097 | | |
| Operating grants and contributions | 3,894,049 | 2,919,858 | 1,850,831 | 1,236,619 | 5,744,880 | 4,156,477 | | |
| Capital grants and contributions | 2,431,890 | 3,314,050 | - | - | 2,431,890 | 3,314,050 | | |
| General: | | | | | | | | |
| Property taxes | 32,099,298 | 32,765,896 | - | - | 32,099,298 | 32,765,896 | | |
| Motor vehicle permits | 7,225,986 | 7,233,488 | - | - | 7,225,986 | 7,233,488 | | |
| Other | 9,341,216 | 6,585,366 | 456,815 | 104,168 | 9,798,031 | 6,689,534 | | |
| Total revenues | 59,165,507 | 57,576,807 | 10,722,195 | 9,818,735 | 69,887,702 | 67,395,542 | | |
| Program expenses: | | | | | | | | |
| General government | 10,532,031 | 8,948,405 | - | - | 10,532,031 | 8,948,405 | | |
| Public safety | 29,796,335 | 28,333,872 | - | - | 29,796,335 | 28,333,872 | | |
| Highways and streets | 13,936,025 | 14,199,016 | - | - | 13,936,025 | 14,199,016 | | |
| Sanitation | 1,784,697 | 1,150,290 | 2,980,011 | 4,264,377 | 4,764,708 | 5,414,667 | | |
| Water distribution and treatment | 29,474 | - | 4,878,437 | 3,995,897 | 4,907,911 | 3,995,897 | | |
| Health | 236,202 | 24,689 | - | - | 236,202 | 24,689 | | |
| Welfare | 2,580,527 | 232,706 | - | - | 2,580,527 | 232,706 | | |
| Culture and recreation/conservation | 7,299 | 2,002,810 | - | - | 7,299 | 2,002,810 | | |
| Interest on long-term debt | 97,868 | 164,503 | - | - | 97,868 | 164,503 | | |
| Total expenses | 59,000,458 | 55,056,291 | 7,858,448 | 8,260,274 | 66,858,906 | 63,316,565 | | |
| Change in net position before transfers | 165,049 | 2,520,516 | 2,863,747 | 1,558,461 | 3,028,796 | 4,078,977 | | |
| Contributions to permanent fund principal | 4,290 | 1,560 | - | - | 4,290 | 1,560 | | |
| Contributions to OPEB | (35,000) | (30,000) | (15,000) | (20,000) | (50,000) | (50,000) | | |
| Bond anticipation note premium | 15,044 | - | 60,175 | - | 75,219 | - | | |
| Principal forgiveness | 73,308 | 69,494 | 28,104 | 277,976 | 101,412 | 347,470 | | |
| Transfers | 567,378 | 525,802 | (567,378) | (525,802) | - | - | | |
| Total change in net position | 790,069 | 3,087,372 | 2,369,648 | 1,290,635 | 3,159,717 | 4,378,007 | | |
| Net position - beginning of year (as restated) (see note 23) | 22,983,565 | 19,896,193 | 39,203,272 | 37,912,637 | 62,186,837 | 57,808,830 | | |
| Net position - end of year | \$ 23,773,634 | \$ 22,983,565 | \$ 41,572,920 | \$ 39,203,272 | \$ 65,346,554 | \$ 62,186,837 | | |

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 \$33,635,517, an increase of \$2,356,467 or 7% in comparison with the prior year. This increase was due to the general fund, the capital project funds, and the other governmental funds revenues exceeding their respective funds expenditures.

Governmental Fund – General Fund

The general fund is the Town's chief operating fund and the largest source of day-to-day service delivery. At the end of the calendar year, unassigned fund balance of the General Fund was \$14,200,238, a change of \$249,365 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 | 12/31/2022 | 12/31/2021 | Change | % of Total General Fund Expenditures |
|-------------------------|------------|------------|-----------|--------------------------------------|
| Unassigned fund balance | 14,200,238 | 13,950,873 | 249,365 | 31% |
| Total fund balance | 24,475,845 | 23,083,905 | 1,391,940 | 54% |

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 \$24,475,845.

Budgetary Highlights

The General Fund – The operating budget was not amended in total appropriations during calendar year 2022, however modifications were made to the allocation of appropriations. The 2022 budget was set to utilize \$5,000,000 of unassigned fund balance to offset authorized expenditures. There was \$54,998 of amortized bond premium that was applied as use of fund balance. Actual expenditures and transfers out were \$1,498,895 lower than budgeted expenditures. Actual revenues including transfers, bond proceeds, and principal forgiveness were \$2,017,022 greater than budgeted amounts. All of these resulted in a net positive variance to the budget of \$3,515,917.

Most functional areas of revenues exceeded the budgeted amount except for intergovernmental revenues and miscellaneous revenues. Intergovernmental revenues report \$111,810 less than the budgeted amount. Miscellaneous revenues reported \$431,830 less than the budgeted amount. This variance for miscellaneous revenues is mainly due to a bond that was budgeted but not executed in 2022. Taxes exceeded their budgeted amount by \$589,439 this is due to interest on taxes exceeding the budget due to a lower collection rate in the prior year and actual taxes exceeding the budgeted amount. Licenses and permits exceeded their budget by \$1,570,523. There was (and continues to be) a considerable amount of development which has translated into more residents/vehicles.

There were two functional areas in which the actual expenditures exceeded the budgeted amounts. General government exceeded its budget due to unanticipated building repairs. The second area was sanitation which over expended the budget by \$333,488. The over expenditure is due to an amendment to the Waste Management contract which increased the hauling and disposal fees for solid waste and recycling. Overall, the Town expended 97% of the 2022 appropriated budget which is greater when compared to 95% in 2021.

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, 2022, was \$127,293,163, a change of \$(759,816) from the prior year. This decrease is primarily due to road improvements occurring at a slower pace than depreciation. The investment in capital assets includes land, intangible assets, buildings, improvements, infrastructure, equipment and vehicles.

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land and land improvements | \$ 17,407,027 | \$ 17,289,686 | \$ 350,000 | \$ 350,000 | \$ 17,757,027 | \$ 17,639,686 |
| Intangible assets | - | - | 1,071,000 | 1,071,000 | 1,071,000 | 1,071,000 |
| Construction in progress | 4,530,279 | 3,633,413 | 15,454,979 | 13,060,812 | 19,985,258 | 16,694,225 |
| Buildings and building improvements | 3,289,497 | 3,226,659 | 2,829,058 | 2,914,017 | 6,118,555 | 6,140,676 |
| Machinery, equipment, and furnishings | 5,252,175 | 5,112,154 | 1,870,752 | 2,035,915 | 7,122,927 | 7,148,069 |
| Infrastructure | <u>50,493,311</u> | <u>53,805,888</u> | <u>24,744,545</u> | <u>25,552,895</u> | <u>75,237,856</u> | <u>79,358,783</u> |
| Total | <u>\$ 80,972,289</u> | <u>\$ 83,067,800</u> | <u>\$ 46,320,334</u> | <u>\$ 44,984,639</u> | <u>\$ 127,292,623</u> | <u>\$ 128,052,439</u> |

At December 31, 2022, the depreciable capital assets for the Town were 69% depreciated which is 2% lower in comparison to the prior year. This comparison indicates that the Town is replacing depreciable capital assets at a slightly greater rate than they are depreciating.

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

Capital asset additions

Infrastructure

| | |
|---------------------------------------|------------|
| Road Reconstruction - Northwestern Dr | \$ 846,067 |
| Road Reconstruction - Bannister Rd | 438,933 |
| Road Reconstruction - Corinthian Dr | 438,888 |
| Land Acquisition - M89 L1097 | 339,113 |
| HVAC Replacement | 320,000 |
| Road Reconstruction - Wilson St | 305,813 |
| Road Reconstruction - Gillis Ter | 278,857 |
| Road Reconstruction - Settlers Ln | 264,604 |
| International HV513 | 235,710 |
| International HV507 | 219,211 |
| Road Reconstruction - Tilton Ter | 202,636 |

Construction in Process

| | |
|------------------|--------------|
| Soil Remediation | \$ 2,463,600 |
|------------------|--------------|

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

Long-term Debt

At December 31, 2022 the Town had total bonds and long term notes outstanding of \$13,698,368. Of this amount, \$3,634,341 was governmental activities debt and \$10,064,026 was business-type debt. During fiscal year 2022 the Town issued one bond anticipation note. The bond anticipation note funded a soil and groundwater remediation project. A summary of outstanding debt as of December 31, 2022, was as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Bridge construction | \$ 391,000 | \$ 642,000 | \$ - | \$ - | \$ 391,000 | \$ 642,000 |
| Land acquisition | 1,975,000 | 2,260,000 | - | - | 1,975,000 | 2,260,000 |
| Drinking water capacity rights | 80,000 | 120,000 | 320,000 | 480,000 | 400,000 | 600,000 |
| South Broadway infrastructure | 1,188,341 | 1,254,360 | 7,059,902 | 7,612,294 | 8,248,243 | 8,866,654 |
| Water main improvements | - | - | 629,000 | 923,000 | 629,000 | 923,000 |
| Water system improvements | - | - | 995,124 | 1,249,749 | 995,124 | 1,249,749 |
| West Duston improvements | - | - | 1,060,000 | 1,180,000 | 1,060,000 | 1,180,000 |
| Total | <u>\$ 3,634,341</u> | <u>\$ 4,276,360</u> | <u>\$ 10,064,026</u> | <u>\$ 11,445,043</u> | <u>\$ 13,698,367</u> | <u>\$ 15,721,403</u> |

Total long-term bonds and long-term notes outstanding at December 31, 2022 decreased by \$2,023,035 or 13% from December 31, 2021 due to no bond or long term note issuances in 2022. The Town's credit rating is AAA by Standard & Poor. Additional information on the Town's long-term debt can be found in Note 16 to the financial statements.

Economic Factors and Current Conditions

In fiscal year 2023 the Town voted to use \$4 million in unassigned fund balance to offset the tax rate. It is expected that the Town's unassigned fund balance in the general fund will intentionally decrease in 2023. There were many open positions throughout fiscal year 2023 so the impact to unassigned fund balance may not be as large as originally planned.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF SALEM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2022

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 66,441,690 | \$ 12,569,635 | \$ 79,011,325 |
| Investments | 751,108 | - | 751,108 |
| Taxes receivables (net) | 2,486,790 | - | 2,486,790 |
| Account receivables (net) | 1,475,341 | 624,429 | 2,099,770 |
| Special assessments | - | 4,623,887 | 4,623,887 |
| Intergovernmental receivable | 1,070,309 | 1,677,531 | 2,747,840 |
| Lease receivable | 1,367,776 | 1,066,149 | 2,433,925 |
| Prepaid items | 295,224 | 36,810 | 332,034 |
| Tax deeded property, subject to resale | 70,397 | - | 70,397 |
| Capital assets: | | | |
| Land and construction in progress | 18,739,303 | 16,875,979 | 35,615,282 |
| Other capital assets, net of depreciation | 62,232,986 | 29,444,355 | 91,677,341 |
| Total assets | <u>154,930,924</u> | <u>66,918,775</u> | <u>221,849,699</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Amounts related to pensions | 8,318,239 | 204,352 | 8,522,591 |
| Amounts related to other postemployment benefits | 12,081,230 | 84,245 | 12,165,475 |
| Total deferred outflows of resources | <u>20,399,469</u> | <u>288,597</u> | <u>20,688,066</u> |
| LIABILITIES | | | |
| Accounts payable | 1,534,740 | 1,468,469 | 3,003,209 |
| Accrued salaries and benefits | 2,401,110 | 22,766 | 2,423,876 |
| Retainage payable | 268,350 | 60,552 | 328,902 |
| Accrued interest payable | 50,997 | 130,668 | 181,665 |
| Intergovernmental payable | 30,656,030 | - | 30,656,030 |
| Bond anticipation note payable | 1,339,600 | 5,358,400 | 6,698,000 |
| Other | 100 | - | 100 |
| Long-term liabilities: | | | |
| Due within one year | 1,299,129 | 1,443,950 | 2,743,079 |
| Due in more than one year | 96,998,235 | 10,643,614 | 107,641,849 |
| Total liabilities | <u>134,548,291</u> | <u>19,128,419</u> | <u>153,676,710</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 32,722 | - | 32,722 |
| Unavailable revenue - grants | 2,102,738 | - | 2,102,738 |
| Unavailable revenue - special assessments | - | 4,626,187 | 4,626,187 |
| Unavailable revenue - received in advance | 69,108 | - | 69,108 |
| Amounts related to leases | 1,273,686 | 1,761,704 | 3,035,390 |
| Amounts related to pensions | 1,839,830 | 45,198 | 1,885,028 |
| Amounts related to other postemployment benefits | 11,690,384 | 72,944 | 11,763,328 |
| Total deferred inflows of resources | <u>17,008,468</u> | <u>6,506,033</u> | <u>23,514,501</u> |
| NET POSITION | | | |
| Net investment in capital assets | 76,586,860 | 35,984,429 | 112,571,289 |
| Restricted | 1,356,348 | 5,588,491 | 6,944,839 |
| Unrestricted | <u>(54,169,574)</u> | - | <u>(54,169,574)</u> |
| Total net position | <u>\$ 23,773,634</u> | <u>\$ 41,572,920</u> | <u>\$ 65,346,554</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, 2022

| | Program Revenues | | | | Net (Expense) Revenue and Change in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 10,532,031 | \$ 178,462 | \$ - | \$ - | \$ (10,353,569) | \$ - | \$ (10,353,569) |
| Public safety | 29,796,335 | 3,388,244 | 366,376 | - | (26,041,715) | - | (26,041,715) |
| Highways and streets | 13,936,025 | - | 1,187,206 | 2,431,890 | (10,316,929) | - | (10,316,929) |
| Sanitation | 1,784,697 | 458,035 | 245,321 | - | (1,081,341) | - | (1,081,341) |
| Health | 29,474 | - | - | - | (29,474) | - | (29,474) |
| Welfare | 236,202 | 33,155 | - | - | (203,047) | - | (203,047) |
| Culture and recreation | 2,580,527 | 115,172 | 2,094,646 | - | (370,709) | - | (370,709) |
| Conservation | 7,299 | - | 500 | - | (6,799) | - | (6,799) |
| Interest on long-term debt | 97,868 | - | - | - | (97,868) | - | (97,868) |
| Total governmental activities | <u>59,000,458</u> | <u>4,173,068</u> | <u>3,894,049</u> | <u>2,431,890</u> | <u>(48,501,451)</u> | <u>-</u> | <u>(48,501,451)</u> |
| Business-type activities: | | | | | | | |
| Water | 4,878,437 | 4,594,707 | 568,058 | - | - | 284,328 | 284,328 |
| Sewer | 2,980,011 | 3,819,842 | 1,282,773 | - | - | 2,122,604 | 2,122,604 |
| Total business-type activities | <u>7,858,448</u> | <u>8,414,549</u> | <u>1,850,831</u> | <u>-</u> | <u>-</u> | <u>2,406,932</u> | <u>2,406,932</u> |
| Total | <u>\$ 66,858,906</u> | <u>\$ 12,587,617</u> | <u>\$ 5,744,880</u> | <u>\$ 2,431,890</u> | <u>(48,501,451)</u> | <u>2,406,932</u> | <u>(46,094,519)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 32,099,298 | - | 32,099,298 |
| Other | | | | | 1,165,612 | - | 1,165,612 |
| Motor vehicle permit fees | | | | | 7,225,986 | - | 7,225,986 |
| Licenses and other fees | | | | | 3,088,557 | - | 3,088,557 |
| Grants and contributions not restricted to specific programs | | | | | 3,201,628 | - | 3,201,628 |
| Unrestricted investment earnings | | | | | 112,330 | (174,894) | (62,564) |
| Miscellaneous | | | | | 1,773,089 | 631,709 | 2,404,798 |
| Total general revenues | | | | | <u>48,666,500</u> | <u>456,815</u> | <u>49,123,315</u> |
| Contributions to permanent funds | | | | | 4,290 | - | 4,290 |
| Contributions to OPEB trust | | | | | (35,000) | (15,000) | (50,000) |
| Bond anticipation note premium | | | | | 15,044 | 60,175 | 75,219 |
| Principal forgiveness | | | | | 73,308 | 28,104 | 101,412 |
| Transfers | | | | | 567,378 | (567,378) | - |
| Total general revenues, contributions, and transfers | | | | | <u>49,291,520</u> | <u>(37,284)</u> | <u>49,254,236</u> |
| Change in net position | | | | | 790,069 | 2,369,648 | 3,159,717 |
| Net position, beginning, as restated (see Note 23) | | | | | <u>22,983,565</u> | <u>39,203,272</u> | <u>62,186,837</u> |
| Net position, ending | | | | | <u>\$ 23,773,634</u> | <u>\$ 41,572,920</u> | <u>\$ 65,346,554</u> |

EXHIBIT C-1
TOWN OF SALEM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2022

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 51,778,498 | \$ 181,616 | \$ 9,761,468 | \$ 61,721,582 |
| Investments | 148,097 | - | 603,011 | 751,108 |
| Receivables, net of allowance for uncollectible: | | | | |
| Taxes | 2,556,109 | - | - | 2,556,109 |
| Accounts | 1,040,431 | - | 434,910 | 1,475,341 |
| Intergovernmental receivable | 50,825 | 645,299 | 128,864 | 824,988 |
| Lease receivable | 1,367,776 | - | - | 1,367,776 |
| Interfund receivable | 533,273 | 417,845 | - | 951,118 |
| Voluntary tax liens | 75,088 | - | - | 75,088 |
| Voluntary tax liens reserved until collected | (75,088) | - | - | (75,088) |
| Prepaid items | 295,224 | - | - | 295,224 |
| Tax deeded property, subject to resale | 70,397 | - | - | 70,397 |
| Restricted assets: | | | | |
| Cash and cash equivalents | <u>4,720,108</u> | <u>-</u> | <u>-</u> | <u>4,720,108</u> |
| Total assets | <u>\$ 62,560,738</u> | <u>\$ 1,244,760</u> | <u>\$ 10,928,253</u> | <u>\$ 74,733,751</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,447,965 | \$ 12,909 | \$ 73,866 | \$ 1,534,740 |
| Accrued salaries and benefits | 2,380,707 | - | 20,403 | 2,401,110 |
| Retainage payable | - | 268,350 | - | 268,350 |
| Intergovernmental payable | 30,656,030 | - | - | 30,656,030 |
| Interfund payable | 416,043 | - | 535,075 | 951,118 |
| Bond anticipation note payable | 1,339,600 | - | - | 1,339,600 |
| Other | 100 | - | - | 100 |
| Total liabilities | <u>36,240,445</u> | <u>281,259</u> | <u>629,344</u> | <u>37,151,048</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - Property taxes | 477,054 | - | - | 477,054 |
| Unavailable revenue - received in advance | 69,108 | - | - | 69,108 |
| Bond premiums | 24,600 | - | - | 24,600 |
| Amounts related to leases | 1,273,686 | - | - | 1,273,686 |
| Unavailable revenue - grants | - | - | 2,102,738 | 2,102,738 |
| Total deferred inflows of resources | <u>1,844,448</u> | <u>-</u> | <u>2,102,738</u> | <u>3,947,186</u> |
| FUND BALANCES | | | | |
| Nonspendable | 365,621 | - | 534,307 | 899,928 |
| Restricted | 41,486 | 963,501 | 822,041 | 1,827,028 |
| Committed | 4,393,442 | - | 6,839,823 | 11,233,265 |
| Assigned | 5,475,058 | - | - | 5,475,058 |
| Unassigned | 14,200,238 | - | - | 14,200,238 |
| Total fund balances | <u>24,475,845</u> | <u>963,501</u> | <u>8,196,171</u> | <u>33,635,517</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 62,560,738</u> | <u>\$ 1,244,760</u> | <u>\$ 10,928,253</u> | <u>\$ 74,733,751</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, 2022

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

Total fund balances of governmental funds (Exhibit C-1) \$ 33,635,517

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

| | |
|-------------------------------|----------------------|
| Cost | \$ 266,116,102 |
| Less accumulated depreciation | <u>(185,143,813)</u> |
| | 80,972,289 |

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

| | |
|--|---------------------|
| Deferred outflows of resources related to pensions | \$ 8,318,239 |
| Deferred inflows of resources related to pensions | <u>(1,839,830)</u> |
| Deferred outflows of resources related to OPEB | 12,081,230 |
| Deferred inflows of resources related to OPEB | <u>(11,690,384)</u> |
| | 6,869,255 |

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

| | |
|-------------|----------------|
| Receivables | \$ (951,118) |
| Payables | <u>951,118</u> |

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

| | |
|-----------------------------------|-----------------|
| Deferred property taxes | \$ 444,332 |
| Allowance for uncollectible taxes | <u>(69,319)</u> |
| | 375,013 |

Long-term assets (state aid receivable) are not available to pay for current-period expenditures, and therefore are not reported in the governmental funds.

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. 24,600

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

| | |
|--------------------------|----------|
| Accrued interest payable | (50,997) |
|--------------------------|----------|

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

| | |
|---|-------------------|
| Bonds | \$ 3,634,341 |
| Notes | 473,790 |
| Unamortized bond premium | 277,298 |
| Compensated absences | 3,535,980 |
| Accrued landfill postclosure care costs | 702,000 |
| Net pension liability | 50,986,601 |
| Other postemployment benefits | <u>38,687,354</u> |
| | (98,297,364) |

Net position of governmental activities (Exhibit A)

| |
|---------------|
| \$ 23,773,634 |
|---------------|

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, 2022

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------|--------------------------|--------------------------|
| REVENUES | | | | |
| Taxes | \$ 32,541,398 | \$ - | \$ 846,416 | \$ 33,387,814 |
| Licenses and permits | 10,294,323 | - | - | 10,294,323 |
| Intergovernmental | 3,861,485 | 1,946,738 | 1,825,716 | 7,633,939 |
| Charges for services | 2,711,763 | - | 1,586,748 | 4,298,511 |
| Miscellaneous | 1,840,345 | - | 1,589,180 | 3,429,525 |
| Total revenues | <u>51,249,314</u> | <u>1,946,738</u> | <u>5,848,060</u> | <u>59,044,112</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 8,823,865 | - | 2,066,734 | 10,890,599 |
| Public safety | 27,550,564 | - | 1,761,756 | 29,312,320 |
| Highways and streets | 3,918,840 | 3,896,320 | 506,330 | 8,321,490 |
| Sanitation | 1,461,203 | - | 75,213 | 1,536,416 |
| Health | 29,474 | - | - | 29,474 |
| Welfare | 242,397 | - | - | 242,397 |
| Culture and recreation | 2,134,697 | - | 434,038 | 2,568,735 |
| Conservation | - | - | 7,299 | 7,299 |
| Debt service: | | | | |
| Principal | 642,019 | - | - | 642,019 |
| Interest | 149,281 | - | - | 149,281 |
| Capital outlay | <u>1,937,805</u> | <u>1,185,387</u> | <u>485,153</u> | <u>3,608,345</u> |
| Total expenditures | <u>46,890,145</u> | <u>5,081,707</u> | <u>5,336,523</u> | <u>57,308,375</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>4,359,169</u> | <u>(3,134,969)</u> | <u>511,537</u> | <u>1,735,737</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 586,221 | 3,835,779 | 74,909 | 4,496,909 |
| Transfers out | (3,641,802) | - | (322,729) | (3,964,531) |
| Bond anticipation note premium | 15,044 | - | - | 15,044 |
| Principal forgiveness | 73,308 | - | - | 73,308 |
| Total other financing sources (uses) | <u>(2,967,229)</u> | <u>3,835,779</u> | <u>(247,820)</u> | <u>620,730</u> |
| Net change in fund balances | 1,391,940 | 700,810 | 263,717 | 2,356,467 |
| Fund balances, beginning, as restated (see Note 23) | <u>23,083,905</u> | <u>262,691</u> | <u>7,932,454</u> | <u>31,279,050</u> |
| Fund balances, ending | <u>\$ 24,475,845</u> | <u>\$ 963,501</u> | <u>\$ 8,196,171</u> | <u>\$ 33,635,517</u> |

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

EXHIBIT C-4
TOWN OF SALEM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2022

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

Net change in fund balances of governmental funds (Exhibit C-3) \$ 2,356,467

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 | \$ 6,956,328 |
| Depreciation expense | <u>(8,448,856)</u> |
| | (1,492,528) |

The net effect of various miscellaneous transactions involving capital assets
 (i.e., sales and donations) is to decrease net position. (602,983)

Transfers in and out between governmental funds are eliminated
 on the Statement of Activities.

| | |
|---------------|------------------|
| Transfers in | \$ (3,929,531) |
| Transfers out | <u>3,929,531</u> |
| | - |

Revenue in the Statement of Activities that does not provide current financial
 resources are not reported as revenue in the governmental funds.

| | |
|---|---------------|
| Change in deferred tax revenue | \$ (143,724) |
| Change in allowance for uncollectible taxes | <u>24,088</u> |
| | (119,636) |

Long-term state aid revenues are not available to pay current period expenditures
 and are therefore not recognized in the governmental funds. 245,321

Bond and other debt proceeds provide current financial resources to governmental funds,
 but issuing debt increases long-term liabilities in the Statement of Net Position.

Repayment of bond and other debt principal is an expenditure in the governmental
 funds, but repayment reduces long-term liabilities in the Statement of Net Position.

| | |
|------------------------------|---------------|
| Repayment of bond principal | \$ 642,019 |
| Repayment of notes payable | 467,698 |
| Amortization of bond premium | <u>39,080</u> |
| | 1,148,797 |

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 | \$ 12,333 |
| Increase in compensated absences payable | (27,126) |
| Increase in accrued landfill postclosure care costs | (228,000) |
| Net change in net pension liability, and deferred outflows and inflows of resources related to pensions | 957,504 |
| Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits | <u>(1,460,080)</u> |
| | (745,369) |

Change in net position of governmental activities (Exhibit B)

\$ 790,069

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, 2022

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------------------|----------------------|------------------------------------|
| REVENUES | | | |
| Taxes | \$ 31,832,323 | \$ 32,421,762 | \$ 589,439 |
| Licenses and permits | 8,723,800 | 10,294,323 | 1,570,523 |
| Intergovernmental | 3,973,295 | 3,861,485 | (111,810) |
| Charges for services | 1,296,675 | 2,711,763 | 1,415,088 |
| Miscellaneous | 2,105,899 | 1,674,069 | (431,830) |
| Total revenues | <u>47,931,992</u> | <u>50,963,402</u> | <u>3,031,410</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 8,577,639 | 8,835,615 | (257,976) |
| Public safety | 28,721,303 | 27,608,348 | 1,112,955 |
| Highways and streets | 4,234,446 | 3,946,353 | 288,093 |
| Sanitation | 1,131,860 | 1,465,348 | (333,488) |
| Health | 106,402 | 29,474 | 76,928 |
| Welfare | 274,708 | 242,397 | 32,311 |
| Culture and recreation | 2,362,062 | 2,169,532 | 192,530 |
| Debt service: | | | |
| Principal | 642,020 | 642,019 | 1 |
| Interest | 194,274 | 149,281 | 44,993 |
| Capital outlay | <u>3,674,839</u> | <u>3,564,701</u> | <u>110,138</u> |
| Total expenditures | <u>49,919,553</u> | <u>48,653,068</u> | <u>1,266,485</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,987,561)</u> | <u>2,310,334</u> | <u>4,297,895</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 599,122 | 846,383 | 247,261 |
| Transfers out | (4,977,480) | (4,745,070) | 232,410 |
| Bond proceeds | 1,350,001 | 15,044 | (1,334,957) |
| Principal forgiveness | - | 73,308 | 73,308 |
| Total other financing sources (uses) | <u>(3,028,357)</u> | <u>(3,810,335)</u> | <u>(781,978)</u> |
| Net change in fund balances | <u>\$ (5,015,918)</u> | <u>(1,500,001)</u> | <u>\$ 3,515,917</u> |
| Decrease in nonspendable fund balance | | 55,897 | |
| Decrease in restricted fund balance | | 20,743 | |
| Decrease in assigned (non-encumbrance) fund balance | | 1,459,000 | |
| Unassigned fund balance, beginning | | <u>14,445,522</u> | |
| Unassigned fund balance, ending | | <u>\$ 14,481,161</u> | |

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

EXHIBIT E-1
TOWN OF SALEM, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2022

| | Business-type Activities | | |
|--|--------------------------|----------------------|----------------------|
| | Enterprise Funds | | Total |
| | Water | Sewer | Enterprise Funds |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,810,447 | \$ 9,759,188 | \$ 12,569,635 |
| Receivables, net of allowance for uncollectible: | | | |
| Accounts | 347,269 | 277,160 | 624,429 |
| Special assessments | 2,076,523 | 2,547,364 | 4,623,887 |
| Intergovernmental | 570,015 | 1,107,516 | 1,677,531 |
| Lease receivables | 1,066,149 | - | 1,066,149 |
| Welfare liens | - | 12,140 | 12,140 |
| Welfare liens reserved until collected | - | (12,140) | (12,140) |
| Prepaid items | 24,708 | 12,102 | 36,810 |
| Capital assets: | | | |
| Land and construction in progress | 14,905,099 | 1,970,880 | 16,875,979 |
| Other capital assets, net of depreciation | 18,378,400 | 11,065,955 | 29,444,355 |
| Total assets | <u>40,178,610</u> | <u>26,740,165</u> | <u>66,918,775</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Amounts related to pensions | 175,478 | 28,874 | 204,352 |
| Amounts related to other postemployment benefits | 80,620 | 3,625 | 84,245 |
| Total deferred outflows of resources | <u>256,098</u> | <u>32,499</u> | <u>288,597</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 201,949 | 1,266,520 | 1,468,469 |
| Accrued salaries and benefits | 17,895 | 4,871 | 22,766 |
| Retainage payable | 60,552 | - | 60,552 |
| Accrued interest payable | 48,323 | 82,345 | 130,668 |
| Bond anticipation notes payable | - | 5,358,400 | 5,358,400 |
| Long term liabilities: | | | |
| Due within one year | 1,107,593 | 336,357 | 1,443,950 |
| Due in more than one year | <u>5,396,615</u> | <u>5,246,999</u> | <u>10,643,614</u> |
| Total liabilities | <u>6,832,927</u> | <u>12,295,492</u> | <u>19,128,419</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - special assessments | 2,078,823 | 2,547,364 | 4,626,187 |
| Amounts related to leases | 1,761,704 | - | 1,761,704 |
| Amounts related to pensions | 38,812 | 6,386 | 45,198 |
| Amounts related to other postemployment benefits | 72,060 | 884 | 72,944 |
| Total deferred inflows of resources | <u>3,951,399</u> | <u>2,554,634</u> | <u>6,506,033</u> |
| NET POSITION | | | |
| Net investment in capital assets | 28,341,267 | 7,643,162 | 35,984,429 |
| Restricted | <u>1,309,115</u> | <u>4,279,376</u> | <u>5,588,491</u> |
| Total net position | <u>\$ 29,650,382</u> | <u>\$ 11,922,538</u> | <u>\$ 41,572,920</u> |

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

EXHIBIT E-2
TOWN OF SALEM, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2022

| | Business-type Activities | | |
|--|--------------------------|----------------------|---------------------------|
| | Enterprise Funds | | Total Enterprise Funds |
| | Water | Sewer | |
| Operating revenues: | | | |
| User charges | \$ 3,637,084 | \$ 3,100,134 | \$ 6,737,218 |
| Other sales | 849,916 | 708,853 | 1,558,769 |
| Fees and interest | 13,168 | 10,695 | 23,863 |
| Miscellaneous | 94,539 | 160 | 94,699 |
| Total operating revenues | 4,594,707 | 3,819,842 | 8,414,549 |
| Operating expenses: | | | |
| Salaries and wages | 1,378,632 | 186,745 | 1,565,377 |
| Operation and maintenance | 1,673,886 | 340,494 | 2,014,380 |
| Contractual services | 1,006,315 | 2,109,927 | 3,116,242 |
| Materials and supplies | 94,974 | 9,003 | 103,977 |
| Depreciation and amortization | 724,630 | 333,842 | 1,058,472 |
| Total operating expenses | 4,878,437 | 2,980,011 | 7,858,448 |
| Operating income (loss) | (283,730) | 839,831 | 556,101 |
| Nonoperating revenue (expense): | | | |
| Intergovernmental revenues | 568,058 | 1,282,773 | 1,850,831 |
| Interest income | 4,961 | 13,972 | 18,933 |
| Interest expense | (64,379) | (129,448) | (193,827) |
| Other | 181,438 | 450,271 | 631,709 |
| Total nonoperating revenues (expense) | 690,078 | 1,617,568 | 2,307,646 |
| Other financing sources (uses): | | | |
| Transfers out | (310,435) | (271,943) | (582,378) |
| Bond anticipation note premium | - | 60,175 | 60,175 |
| Principal forgiveness | - | 28,104 | 28,104 |
| Total other financing sources (uses) | (310,435) | (183,664) | (494,099) |
| Change in net position | 95,913 | 2,273,735 | 2,369,648 |
| Net position, beginning, as restated (see Note 23) | 29,554,469 | 9,648,803 | 39,203,272 |
| Net position, ending | \$ 29,650,382 | \$ 11,922,538 | \$ 41,572,920 |

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, 2022

| | Business-type Activities | | |
|--|--------------------------|---------------------|----------------------|
| | Enterprise Funds | | Total |
| | Water | Sewer | Enterprise Funds |
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 5,063,792 | \$ 3,900,109 | \$ 8,963,901 |
| Payments to employees for salaries and benefits | (1,432,589) | (184,841) | (1,617,430) |
| Payments to suppliers | (2,997,132) | (1,048,661) | (4,045,793) |
| Net cash provided by operating activities | <u>634,071</u> | <u>2,666,607</u> | <u>3,300,678</u> |
| Cash flows from capital and related financing activities: | | | |
| Bond anticipation note proceeds received | - | 5,418,575 | 5,418,575 |
| Principal paid on capital debt | (1,055,469) | (325,548) | (1,381,017) |
| Acquisition and construction of capital assets | (423,287) | (1,970,880) | (2,394,167) |
| Bond issuance costs | - | (18,146) | (18,146) |
| Interest paid on capital debt | (122,937) | (126,490) | (249,427) |
| Net cash used by (used for) capital and related financing activities | <u>(1,601,693)</u> | <u>2,977,511</u> | <u>1,375,818</u> |
| Cash flows from non-capital financing activities: | | | |
| Intergovernmental grants received | 563,398 | 371,006 | 934,404 |
| Operating transfers out | <u>(310,435)</u> | <u>(271,943)</u> | <u>(582,378)</u> |
| Net cash used by (used for) non-capital financing activities | <u>252,963</u> | <u>99,063</u> | <u>352,026</u> |
| Cash flows from investing activities: | | | |
| Interest received | <u>4,961</u> | <u>13,972</u> | <u>18,933</u> |
| Net increase (decrease) in cash and cash equivalents | (709,698) | 5,757,153 | 5,047,455 |
| Cash and cash equivalents, beginning | 3,520,145 | 4,002,035 | 7,522,180 |
| Cash and cash equivalents, ending | <u>\$ 2,810,447</u> | <u>\$ 9,759,188</u> | <u>\$ 12,569,635</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | <u>\$ (283,730)</u> | <u>\$ 839,831</u> | <u>\$ 556,101</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation expense | 724,630 | 333,842 | 1,058,472 |
| (Increase)/Decrease in other receivables | (284,639) | 80,267 | (204,372) |
| Decrease in intergovernmental receivables | 692,557 | - | 692,557 |
| Increase in prepaid items | (22,638) | (12,102) | (34,740) |
| Increase in deferred outflows of resources | (52,069) | (14,381) | (66,450) |
| Increase(Decrease) in accounts payable | (199,319) | 1,246,498 | 1,047,179 |
| Increase in intergovernmental payable | - | 6,902 | 6,902 |
| Increase(Decrease) in accrued salaries and benefits | (1,888) | 1,904 | 16 |
| Increase in deferred inflows of resources | 61,167 | 183,846 | 245,013 |
| Total adjustments | <u>917,801</u> | <u>1,826,776</u> | <u>2,744,577</u> |
| Net cash provided by operating activities | <u>\$ 634,071</u> | <u>\$ 2,666,607</u> | <u>\$ 3,300,678</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, 2022

| | Private Purpose Trust Funds | Other Postemployment Trust Fund | All Custodial Funds |
|------------------------------|-----------------------------------|---------------------------------------|---------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 159,121 | \$ 677 | \$ 3,576,302 |
| Investments | 1,498,117 | 137,304 | - |
| Intergovernmental receivable | - | - | 30,603,410 |
| Total assets | <u>1,657,238</u> | <u>137,981</u> | <u>34,179,712</u> |
| LIABILITIES | | | |
| Intergovernmental payables: | | | |
| School | - | - | 30,603,410 |
| Due to others | 22,020 | - | - |
| Total liabilities | <u>22,020</u> | <u>-</u> | <u>30,603,410</u> |
| NET POSITION | | | |
| Restricted | <u>\$ 1,635,218</u> | <u>\$ 137,981</u> | <u>\$ 3,576,302</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, 2022

| | Private Purpose Trust Funds | Other Postemployment Trust Fund | All Custodial Funds |
|---|-----------------------------------|---------------------------------------|---------------------------|
| ADDITIONS | | | |
| Contributions | \$ - | \$ 963,832 | \$ 11,848 |
| Investment earnings | 32,284 | 5,437 | 256 |
| Motor vehicle registration fees | - | - | 2,050,430 |
| Tax collections for other governments | - | - | 71,271,166 |
| Other | - | - | 744,667 |
| Total additions | <u>32,284</u> | <u>969,269</u> | <u>74,078,367</u> |
| DEDUCTIONS | | | |
| Benefits paid | 2,770 | 913,832 | - |
| Administrative expenses | 27,525 | 369 | - |
| Change in fair market value | 357,920 | 21,505 | - |
| Payments of taxes to other governments | - | - | 71,271,166 |
| Payments of motor vehicle fees to State | - | - | 2,050,430 |
| Payments for escrow purposes | - | - | 205,072 |
| Total deductions | <u>388,215</u> | <u>935,706</u> | <u>73,526,668</u> |
| Net increase (decrease) in fiduciary net position | (355,931) | 33,563 | 551,699 |
| Net position, beginning | 1,991,149 | 104,418 | 3,024,603 |
| Net position, ending | <u>\$ 1,635,218</u> | <u>\$ 137,981</u> | <u>\$ 3,576,302</u> |

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

| | <u>NOTE</u> |
|--|--------------|
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| | |
|---|-----------|
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TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

| | |
|--|-----------|
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TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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 nine-member Town Council and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

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

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

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

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

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

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

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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.

Additionally, the Town reports the following fund types:

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

Permanent Funds – are used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

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

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

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

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

The Town reports the following major proprietary funds:

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. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the water fund.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, sewer lines, and sewage flow which is sent to the Greater Lawrence Sanitary District. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the sewer fund.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town's fiduciary funds are private purpose trust and custodial funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

The Town also reports the following fiduciary funds:

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

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

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

1-C Cash and Cash Equivalents

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

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

1-D Restricted Assets

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

1-E Statement of Cash Flows

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

1-F Investments

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

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

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

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

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

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.

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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.

Level 3 – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative instruments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

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

1-G Receivables

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

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used. The nonspendable fund balance at the governmental fund level includes the amount of insurance at year-end to indicate the portion of the governmental fund balance that is nonspendable.

1-I Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The Town has established a threshold of \$25,000 or more and an estimate 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 19, 2022 and November 1, 2022, and due on July 1, 2022 and December 15, 2022. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding.

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at December 31, 2022 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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, 2022 utilized in the setting of the tax rate was as follows:

| | |
|--|------------------|
| Total assessment valuation with utilities | \$ 6,512,647,718 |
| Total assessment valuation without utilities | \$ 6,371,670,218 |

The tax rates and amounts assessed for the year ended December 31, 2022 were as follows:

| | Per \$1,000 of Assessed Valuation | Property Taxes Assessed |
|------------------------|---|-------------------------------|
| Municipal portion | \$5.08 | \$ 33,096,115 |
| School portion: | | |
| State of New Hampshire | \$1.14 | 7,264,594 |
| Local | \$9.11 | 59,338,816 |
| County portion | \$0.72 | 4,667,756 |
| Total | <u><u>\$16.05</u></u> | <u><u>\$ 104,367,281</u></u> |

1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2022.

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1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

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. The Town has several types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants, bond premiums, leases and other sources arises when the related eligible expenditures will not be made until the subsequent period.

1-N Compensated Absences

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

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

1-O Leases

The Town is a lessor for a noncancelable leases of cell towers and buildings. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

1-P Long-term Obligations

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

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

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

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

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

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

1-Q Defined Benefit Pension Plan

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

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

1-R Postemployment Benefits Other Than Pensions (OPEB)

The Town maintains two separate other postemployment benefit plans, 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-S Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

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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 Town Council, and Town Manager through the budgetary process.

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

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

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

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

1-T Use of Estimates

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

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1-U Material Change in Fund Classification

The accompanying financial statements reflect a change in classification from the prior year. Specifically, the Salem Council on Aging previously reported as a component unit of the Town is not included in the reporting entity of the Town for the year ended December 31, 2022. This change is due to changes made by the Salem Council on Aging to their articles of incorporation and by-laws which no longer meet the requirements for component unit reporting.

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 as well as the major proprietary water and sewer funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

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 2022, \$5,015,918 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 the major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

| | | |
|--|-----------------------------|--------------------|
| Revenues and other financing sources: | | |
| Per Exhibit D (budgetary basis) | | \$ 51,809,785 |
| Adjustments: | | |
| Basis differences: | | |
| GASB Statement No. 54: | | |
| To record miscellaneous income of the blended funds | 72,186 | |
| To eliminate transfers between blended funds | (260,162) | |
| Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis | 119,636 | |
| Change in lease receivable and deferred inflows of resources | 94,090 | |
| Per Exhibit C-3 (GAAP basis) | <u><u>\$ 51,835,535</u></u> | |
| | | <i>(Continued)</i> |

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Budgetary reconciliation to GAAP basis continued:

| | |
|---|-----------------------------|
| Expenditures and other financing uses: | |
| Per Exhibit D (budgetary basis) | \$ 53,398,138 |
| Adjustments: | |
| Basis differences: | |
| Encumbrances, beginning | 589,125 |
| Encumbrances, ending | (2,392,808) |
| GASB Statement No. 54: | |
| To record expenditures of the blended funds during the year | 40,760 |
| To eliminate transfers between general and blended expendable trust funds | (4,710,070) |
| To recognize transfer between blended expendable trust and other funds | 3,606,802 |
| Per Exhibit C-3 (GAAP basis) | <u><u>\$ 50,531,947</u></u> |

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of implementation of this Statement, beginning net position was restated to retroactively report the change in accounting principle, see Note 23, Prior Period Adjustments, for further information.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$82,747,425 and the bank balances totaled \$84,838,109. Petty cash totaled \$2,025.

Cash and cash equivalents reconciliation:

| | |
|--|-----------------------------|
| Cash per Statement of Net Position (Exhibit A) | \$ 79,011,325 |
| Cash per Statement of Fiduciary Net Position (Exhibit F-1) | 3,736,100 |
| Total cash and cash equivalents | <u><u>\$ 82,747,425</u></u> |

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

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

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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 | \$ 4,695,531 |
| Health insurance | 24,577 |
| Total restricted assets | <u><u>\$ 4,720,108</u></u> |

NOTE 5 – INVESTMENTS

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

The Town has the following recurring fair value measurements and maturities as of December 31, 2022:

| Investments type: | Measurement Method | Valuation | Reported Balance | Less Than 1 Year | 1-5 Years | Exempt from Disclosure |
|---------------------------|--------------------|----------------------------|-------------------------|-------------------------|----------------------------|------------------------|
| | | | | | | |
| Common stock | Level 1 | \$ 1,241,967 | \$ - | \$ - | \$ - | \$ 1,241,967 |
| Corporate bonds | Level 2 | 49,205 | 49,205 | - | - | - |
| Equity mutual funds | Level 1 | 331,620 | - | - | - | 331,620 |
| Fixed income mutual funds | Level 2 | 714,524 | - | - | - | 714,524 |
| U.S. Treasury bonds | Level 2 | 49,213 | - | 49,213 | - | - |
| Total fair value | | <u><u>\$ 2,386,529</u></u> | <u><u>\$ 49,205</u></u> | <u><u>\$ 49,213</u></u> | <u><u>\$ 2,288,111</u></u> | |

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-F. As of December 31, 2022, the Town's investment pool had the following credit risk structure:

| Investments Type | Reported Balance | Exempt from Disclosure | Rating as of Year End* | |
|---------------------------|----------------------------|----------------------------|-------------------------|-------------------------|
| | | | Aaa | A- |
| Common stock | \$ 1,241,967 | \$ 1,241,967 | \$ - | \$ - |
| Corporate bonds | 49,205 | - | - | 49,205 |
| Equity mutual funds | 331,620 | 331,620 | - | - |
| Fixed income mutual funds | 714,524 | 714,524 | - | - |
| U.S. Treasury bonds | 49,213 | - | 49,213 | - |
| Total | <u><u>\$ 2,386,529</u></u> | <u><u>\$ 2,288,111</u></u> | <u><u>\$ 49,213</u></u> | <u><u>\$ 49,205</u></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. All the Town's investments are held by third parties in the Town's name.

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Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in common stock, equity mutual funds, and fixed income mutual funds. These investments are 52%, 14%, and 30%, respectively, of the Town's total investments.

Investment reconciliation:

| | |
|---|----------------------------|
| Investments per Statement of Net Position (Exhibit A) | \$ 751,108 |
| Investments per Statement of Fiduciary Net Position (Exhibit F-1) | 1,635,421 |
| Total investments | <u><u>\$ 2,386,529</u></u> |

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2022. The amount has been reduced by an allowance for an estimated uncollectible amount of \$69,319. Taxes receivable by year are as follows:

| | As reported on: | |
|---|----------------------------|----------------------------|
| | Exhibit A | Exhibit C-1 |
| Property: | | |
| Levy of 2022 | \$ 2,124,948 | \$ 2,124,948 |
| Unredeemed (under tax lien): | | |
| Levy of 2021 | 238,470 | 238,470 |
| Levy of 2020 | 125,504 | 125,504 |
| Levies of 2019 and prior | 60,187 | 60,187 |
| Land use change | 7,000 | 7,000 |
| Less: allowance for estimated uncollectible taxes | <u>(69,319) *</u> | <u>-</u> |
| Net taxes receivable | <u><u>\$ 2,486,790</u></u> | <u><u>\$ 2,556,109</u></u> |

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

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2022, 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, 2022 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

| | Governmental Funds | | | | | Fiduciary Funds |
|------------------------------------|----------------------------|----------------------------|--------------------------|--------------------------|----------------------------|-----------------------------|
| | Governmental Activities | General | Capital Projects | Nonmajor | Total | |
| Receivables: | | | | | | |
| Accounts | \$ 2,329,653 | \$ 1,866,617 | \$ - | \$ 463,036 | \$ 2,329,653 | \$ - |
| Intergovernmental | 1,070,309 | 50,825 | 645,299 | 128,864 | 824,988 | 30,603,410 ² |
| Liens | 75,088 | 75,088 | - | - | 75,088 | - |
| Gross receivables | 3,475,050 | 1,992,530 | 645,299 | 591,900 | 3,229,729 | 30,603,410 |
| Less: allowance for uncollectibles | (929,400) | (901,274) | - | (28,126) | (929,400) | - |
| Net total receivables | <u><u>\$ 2,545,650</u></u> | <u><u>\$ 1,091,256</u></u> | <u><u>\$ 645,299</u></u> | <u><u>\$ 563,774</u></u> | <u><u>\$ 2,300,329</u></u> | <u><u>\$ 30,603,410</u></u> |

¹ Governmental Activities – part of the intergovernmental receivable represents State Aid for projects, see additional information in Note 19.

² Fiduciary Funds - intergovernmental receivables represent property taxes collected on behalf of the Salem School District. These amounts are collected and are part of the Town's general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 12.

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Other receivables continued:

| | Proprietary Funds | | Total Proprietary Funds |
|------------------------------------|---------------------|------------------------|-------------------------------|
| | Water | Sewer | |
| Receivables: | | | |
| Accounts | \$ 384,627 | \$ 307,330 | \$ 691,957 |
| Special assessments | 2,076,523 | 2,547,364 | 4,623,887 |
| Intergovernmental | 570,015 | 1,107,516 ³ | 1,677,531 |
| Liens | - | 12,140 | 12,140 |
| Gross receivables | 3,031,165 | 3,974,350 | 7,005,515 |
| Less: allowance for uncollectibles | (37,358) | (42,310) | (79,668) |
| Net total receivables | <u>\$ 2,993,807</u> | <u>\$ 3,932,040</u> | <u>\$ 6,925,847</u> |

³ Sewer Fund – part of the intergovernmental receivable represents State Aid for projects, see additional information in Note 19.

NOTE 8 – PREPAID ITEMS

Prepaid items at December 31, 2022 consisted of the following:

| | Governmental Activities | | Business-type Activities |
|-----------|-------------------------|------------------|--------------------------|
| | Insurance | Other | |
| Insurance | \$ 289,040 | \$ 6,184 | - |
| Other | | | 36,810 |
| Total | <u>\$ 295,224</u> | <u>\$ 36,810</u> | |

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

| | Balance, beginning | Additions | Deletions | Balance, ending |
|--|-----------------------|-----------------------|---------------------|----------------------|
| Governmental activities: | | | | |
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 13,869,911 | \$ 339,113 | \$ - | \$ 14,209,024 |
| Construction in progress | 3,633,413 | 1,398,476 | (501,610) | 4,530,279 |
| Total capital assets not being depreciated | <u>17,503,324</u> | <u>1,737,589</u> | <u>(501,610)</u> | <u>18,739,303</u> |
| Being depreciated: | | | | |
| Land improvements | 4,471,779 | - | - | 4,471,779 |
| Buildings and building improvements | 8,294,292 | 320,000 | (43,327) | 8,570,965 |
| Machinery, equipment, and furnishings | 15,001,120 | 1,314,521 | (818,802) | 15,496,839 |
| Infrastructure | 217,611,931 | 3,584,218 | (2,358,933) | 218,837,216 |
| Total capital assets being depreciated | <u>245,379,122</u> | <u>5,218,739</u> | <u>(3,221,062)</u> | <u>247,376,799</u> |
| Total all capital assets | <u>262,882,446</u> | <u>6,956,328</u> | <u>(3,722,672)</u> | <u>266,116,102</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (1,052,004) | (221,772) | - | (1,273,776) |
| Buildings and building improvements | (5,067,633) | (229,989) | 16,154 | (5,281,468) |
| Machinery, equipment, and furnishings | (9,888,966) | (1,100,300) | 744,602 | (10,244,664) |
| Infrastructure | (163,806,043) | (6,896,795) | 2,358,933 | (168,343,905) |
| Total accumulated depreciation | <u>(179,814,646)</u> | <u>(8,448,856)</u> | <u>3,119,689</u> | <u>(185,143,813)</u> |
| Net book value, capital assets being depreciated | <u>65,564,476</u> | <u>(3,230,117)</u> | <u>(101,373)</u> | <u>62,232,986</u> |
| Net book value, all governmental activities capital assets | <u>\$ 83,067,800</u> | <u>\$ (1,492,528)</u> | <u>\$ (602,983)</u> | <u>\$ 80,972,289</u> |

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Capital assets continued:

| | <u>Balance, beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, ending</u> |
|---|-------------------------------|----------------------------|----------------------|-----------------------------|
| Business-type activities: | | | | |
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 350,000 | \$ - | \$ - | \$ 350,000 |
| Intangible assets | 1,071,000 | - - | - - | 1,071,000 |
| Construction in progress | 13,060,812 | 2,394,167 | - - | 15,454,979 |
| Total capital assets not being depreciated | <u>14,481,812</u> | <u>2,394,167</u> | <u>- -</u> | <u>16,875,979</u> |
| Being depreciated: | | | | |
| Buildings and building improvements | 3,569,945 | - - | - - | 3,569,945 |
| Machinery, equipment, and furnishings | 5,688,080 | - - | (14,844) | 5,673,236 |
| Infrastructure | 39,725,037 | - - | - - | 39,725,037 |
| Total capital assets being depreciated | <u>48,983,062</u> | <u>- -</u> | <u>(14,844)</u> | <u>48,968,218</u> |
| Total all capital assets | <u>63,464,874</u> | <u>2,394,167</u> | <u>(14,844)</u> | <u>65,844,197</u> |
| Less accumulated depreciation: | | | | |
| Buildings and building improvements | (655,928) | (84,959) | - - | (740,887) |
| Machinery, equipment, and furnishings | (3,652,165) | (165,163) | 14,844 | (3,802,484) |
| Infrastructure | (14,172,142) | (808,350) | - - | (14,980,492) |
| Total accumulated depreciation | <u>(18,480,235)</u> | <u>(1,058,472)</u> | <u>14,844</u> | <u>(19,523,863)</u> |
| Net book value, capital assets being depreciated | <u>30,502,827</u> | <u>(1,058,472)</u> | <u>- -</u> | <u>29,444,355</u> |
| Net book value, all business-type activities capital assets | <u><u>\$ 44,984,639</u></u> | <u><u>\$ 1,335,695</u></u> | <u><u>\$ - -</u></u> | <u><u>\$ 46,320,334</u></u> |

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

| Governmental activities: | |
|----------------------------------|----------------------------|
| General government | \$ 249,773 |
| Public safety | 732,019 |
| Highways and streets | 7,274,695 |
| Sanitation | 18,055 |
| Water distribution and treatment | 106,145 |
| Culture and recreation | 68,169 |
| Total depreciation expense | <u><u>\$ 8,448,856</u></u> |
| Business-type activities: | |
| Water | \$ 724,630 |
| Sewer | 333,842 |
| Total depreciation expense | <u><u>\$ 1,058,472</u></u> |

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2022 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|--------------------------|
| General | Nonmajor | \$ 533,273 |
| Capital project | General | 416,043 |
| Capital project | Nonmajor | 1,802 |
| | | <u><u>\$ 951,118</u></u> |

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

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Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2022 is as follows:

| | Transfers In: | | | | |
|------------------------|-------------------|-----------------------|------------------|---------------------|------------------------------|
| | General Fund | Capital Projects Fund | Nonmajor Fund | Total | Fiduciary Fund OPEB Trust |
| | | | | | |
| Transfers out: | | | | | |
| General fund | \$ - | \$ 3,606,802 | \$ - | \$ 3,606,802 | \$ 35,000 |
| Nonmajor funds | 18,843 | 228,977 | 74,909 | 322,729 | - |
| Water proprietary fund | 300,435 | - | - | 300,435 | 10,000 |
| Sewer proprietary fund | 266,943 | - | - | 266,943 | 5,000 |
| Total | <u>\$ 586,221</u> | <u>\$ 3,835,779</u> | <u>\$ 74,909</u> | <u>\$ 4,496,909</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, 2022, were as follows:

| | Governmental Funds | | Proprietary Funds | | Total |
|---------------------------|---------------------|------------------|-------------------|-----------------|---------------------|
| | General | Nonmajor | Water | Sewer | |
| | | | | | |
| Salary and wages | \$ 577,516 | \$ 20,403 | \$ 17,895 | \$ 4,871 | \$ 620,685 |
| Employee benefits | 1,803,191 | - | - | - | 1,803,191 |
| Total accrued liabilities | <u>\$ 2,380,707</u> | <u>\$ 20,403</u> | <u>\$ 17,895</u> | <u>\$ 4,871</u> | <u>\$ 2,423,876</u> |

NOTE 12 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2022 consist of the following:

| | Governmental | | Fiduciary Funds |
|--|----------------------|----------------------|--------------------|
| | Fund | General | |
| | | | |
| Various fees due to the State of New Hampshire | \$ 40,920 | \$ - | |
| Property taxes due to the custodial funds | 4 30,603,410 | - | |
| Property taxes due to the Salem School District | 5 - | 30,603,410 | |
| Amounts due to the State of New Hampshire (unissued state revolving loan) | 11,700 | - | |
| Total intergovernmental payables due | <u>\$ 30,656,030</u> | <u>\$ 30,603,410</u> | |

⁴ Property taxes due to the custodial fund represent amounts collected by the Town on behalf of Salem School District and are reported as a component of general fund cash at year-end.

⁵ Property taxes due to the Salem School District represent amounts collected by the Town that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

| | Governmental | | Business-type | | Proprietary Funds Water Sewer | Total |
|--|----------------------|-------------------|-------------------|------------------|-------------------------------------|-------|
| | Activities | Activities | Water | Sewer | | |
| Amounts related to pensions, see Note 17 | \$ 8,318,239 | \$ 204,352 | \$ 175,478 | \$ 28,874 | \$ 204,352 | |
| Amounts related to OPEB, see Note 18 | 12,081,230 | 84,245 | 80,620 | 3,625 | 84,245 | |
| Total deferred outflows of resources | <u>\$ 20,399,469</u> | <u>\$ 288,597</u> | <u>\$ 256,098</u> | <u>\$ 32,499</u> | <u>\$ 288,597</u> | |

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Deferred inflows of resources are as follows:

| | Governmental Activities | Governmental Funds | | |
|---|-------------------------|---------------------|---------------------|---------------------|
| | | General | Nonmajor | Total |
| Deferred property taxes not collected within 60 days of fiscal year-end | \$ - | \$ 444,332 | \$ - | \$ 444,332 |
| Property taxes collected in advance of warrants being issued | 32,722 | 32,722 | - | 32,722 |
| Rent payments received in advance | 69,108 | 69,108 | - | 69,108 |
| Bond premiums amortized over the life of the bond | - | 24,600 | - | 24,600 |
| Grant revenue collected in advance of eligible expenditures being made | 2,102,738 | - | 2,102,738 | 2,102,738 |
| Amounts related to leases | 1,273,686 | 1,273,686 | - | 1,273,686 |
| Amounts related to pensions, see Note 17 | 1,839,830 | - | - | - |
| Amounts related to OPEB, see Note 18 | 11,690,384 | - | - | - |
| Total deferred inflows of resources | <u>\$ 17,008,468</u> | <u>\$ 1,844,448</u> | <u>\$ 2,102,738</u> | <u>\$ 3,947,186</u> |
| Business-type Activities | | | | |
| Proprietary Funds | | | | |
| Activities | Water | Sewer | Total | |
| Betterment assessments not currently available | \$ 4,626,187 | \$ 2,078,823 | \$ 2,547,364 | \$ 4,626,187 |
| Amounts related to leases | 1,761,704 | 1,761,704 | - | 1,761,704 |
| Amounts related to pensions, see Note 17 | 45,198 | 38,812 | 6,386 | 45,198 |
| Amounts related to OPEB, see Note 18 | 72,944 | 72,060 | 884 | 72,944 |
| Total deferred inflows of resources | <u>\$ 6,506,033</u> | <u>\$ 3,951,399</u> | <u>\$ 2,554,634</u> | <u>\$ 6,506,033</u> |

NOTE 14 – LEASE RECEIVABLES

The Town had the following lease receivables as of December 31, 2022:

| | Original Amount | Issue Date | Maturity Date | Interest Rate | Receivable at December 31, 2022 |
|----------------------------------|-----------------|------------|---------------|-------------------------|---------------------------------|
| Governmental activities: | | | | | |
| Courthouse | \$ 1,592,108 | 2022 | 2025 | 2.00% | <u>\$ 1,367,776</u> |
| Business-type activities: | | | | | |
| *AT&T | \$ 1,168,661 | 2009 | 2038 | 2.00% | \$ 386,335 |
| *Nextel | \$ 387,000 | 2006 | 2027 | 3.00% | 84,000 |
| *T-Mobile (1) | \$ 845,107 | 1997 | 2032 | 2.25% | 259,814 |
| *T-Mobile (2) | \$ 525,000 | 2006 | 2030 | 2.25% | 168,000 |
| *Verizon | \$ 641,181 | 2014 | 2039 | 0.00% | 168,000 |
| | | | | Total lease receivables | <u>\$ 1,066,149</u> |

*Represent communication site leases.

The annual requirements to amortize all lease receivables outstanding as of December 31, 2022, including interest payments, are as follows:

Governmental activities:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|---------------------|------------------|---------------------|
| 2023 | \$ 390,705 | \$ 23,787 | \$ 414,492 |
| 2024 | 398,591 | 15,901 | 414,492 |
| 2025 | 406,636 | 7,856 | 414,492 |
| 2026 | 171,844 | 860 | 172,704 |
| Totals | <u>\$ 1,367,776</u> | <u>\$ 48,404</u> | <u>\$ 1,416,180</u> |

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Annual requirements to amortize lease receivables, continued.

Business-type activities:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 114,983 | \$ 46,992 | \$ 161,975 |
| 2024 | 114,983 | 52,341 | 167,324 |
| 2025 | 114,983 | 54,831 | 169,814 |
| 2026 | 114,983 | 62,860 | 177,843 |
| 2027 | 108,983 | 58,403 | 167,386 |
| 2028-2032 | 352,358 | 186,025 | 538,383 |
| 2033-2037 | 120,730 | 70,171 | 190,901 |
| 2038-2042 | 24,146 | 14,741 | 38,887 |
| Totals | \$ 1,066,149 | \$ 546,364 | \$ 1,612,513 |

NOTE 15 – SHORT-TERM DEBT

Changes in the Town's short-term capital borrowings during the year ended December 31, 2022 consisted of the following:

| | Original Issue | Interest Rate | Balance | | Balance | |
|-----------------------------|---------------------|------------------|--------------------|---------------------|-------------|----------------------|
| | | | January 1, 2022 | Additions | Deletions | December 31, 2022 |
| Governmental Activities | | | | | | |
| Bond anticipation note | \$ 1,339,600 | 3.50% | \$ - | \$ 1,339,600 | \$ - | \$ 1,339,600 |
| Business-type Activities | | | | | | |
| Bond anticipation note | 5,358,400 | 3.50% | - - | 5,358,400 | - - | 5,358,400 |
| Total short-term borrowings | \$ 6,698,000 | | \$ - | \$ 6,698,000 | \$ - | \$ 6,698,000 |

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

NOTE 16 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2022:

| | Balance January 1, 2022 | Additions | Reductions | Balance December 31, 2022 | | Due Within One Year | Due In More Than One Year |
|---|-------------------------------|----------------------|------------------------|---------------------------------|---------------------|------------------------|------------------------------|
| | | | | 2022 | 2022 | | |
| Governmental activities: | | | | | | | |
| Bonds payable: | | | | | | | |
| Direct placements | \$ 1,254,360 | \$ - | \$ (66,019) | \$ 1,188,341 | \$ 66,019 | \$ 1,122,322 | |
| Public offerings | 3,022,000 | - - | (576,000) | 2,446,000 | 576,000 | 1,870,000 | |
| Notes/loans payable: | | | | | | | |
| Direct borrowings | 941,488 | - - | (467,698) | 473,790 | 473,790 | - - | |
| Premium | 332,296 | - - | (54,998) | 277,298 | 54,997 | 222,301 | |
| Total bonds/notes payable | 5,550,144 | - - | (1,164,715) | 4,385,429 | 1,170,806 | 3,214,623 | |
| Compensated absences | 3,508,854 | 27,126 | - - | 3,535,980 | 98,323 | 3,437,657 | |
| Accrued landfill postclosure care costs | 474,000 | 228,000 | - - | 702,000 | 30,000 | 672,000 | |
| Net pension liability | 39,963,814 | 11,022,787 | - - | 50,986,601 | - - | 50,986,601 | |
| Net other postemployment benefits | 49,820,577 | - - | (11,133,223) | 38,687,354 | - - | 38,687,354 | |
| Total long-term liabilities | \$ 99,317,389 | \$ 11,277,913 | \$ (12,297,938) | \$ 98,297,364 | \$ 1,299,129 | \$ 96,998,235 | |

(Continued)

TOWN OF SALEM, NEW HAMPSHIRE
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Long-term liabilities continued:

| | Balance January 1, 2022 | Additions | Reductions | Balance December 31, 2022 | Due Within One Year | Due In More Than One Year |
|-----------------------------------|-------------------------------|-------------------|-----------------------|---------------------------------|------------------------|------------------------------|
| Business-type activities: | | | | | | |
| Bonds payable: | | | | | | |
| Direct placements | \$ 8,652,043 | \$ - | \$ (737,017) | \$ 7,915,026 | \$ 739,283 | \$ 7,175,743 |
| Public offerings | 2,793,000 | - - | (644,000) | 2,149,000 | 644,000 | 1,505,000 |
| Premium | 332,546 | - - | (60,667) | 271,879 | 60,667 | 211,212 |
| Total bonds payable | 11,777,589 | - - | (1,441,684) | 10,335,905 | 1,443,950 | 8,891,955 |
| Compensated absences | 130,203 | 27,550 | - - | 157,753 | - - | 157,753 |
| Net pension liability | 744,697 | 507,877 | - - | 1,252,574 | - - | 1,252,574 |
| Net other postemployment benefits | 341,816 | 24,130 | (24,614) | 341,332 | - - | 341,332 |
| Total long-term liabilities | <u>\$ 12,994,305</u> | <u>\$ 559,557</u> | <u>\$ (1,466,298)</u> | <u>\$ 12,087,564</u> | <u>\$ 1,443,950</u> | <u>\$ 10,643,614</u> |

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

| | Original Amount | Issue Date | Maturity Date | Interest Rate % | Outstanding at December 31, 2022 | Current Portion |
|---|--------------------|---------------|------------------|--------------------|--|---------------------|
| Governmental activities: | | | | | | |
| Bonds payable: | | | | | | |
| Direct placement: | | | | | | |
| South Broadway sewer and bridge | \$ 1,416,281 | 2021 | 2040 | 2.00 | \$ 1,188,341 | \$ 66,019 |
| Public offerings: | | | | | | |
| Drinking water capacity | \$ 200,000 | 2019 | 2024 | 1.49 | 80,000 | 40,000 |
| Depot land acquisition | \$ 2,830,000 | 2019 | 2029 | 1.96 | 1,975,000 | 285,000 |
| Bridge construction/water improvements | \$ 1,418,000 | 2014 | 2024 | 2.00-3.00 | 280,000 | 140,000 |
| Bridge construction/water improvements | \$ 1,189,909 | 2013 | 2023 | 3.00 | 111,000 | 111,000 |
| Total public offerings | | | | | <u>2,446,000</u> | <u>576,000</u> |
| Direct borrowings- Notes/loans payable: | | | | | | |
| Fire pumper | \$ 750,221 | 2019 | 1905 | 1.98 | 152,956 | 152,956 |
| Multiple vehicles and equipment (2021) | \$ 957,837 | 2021 | 1905 | 0.98 | 320,834 | 320,834 |
| Total direct borrowings | | | | | <u>473,790</u> | <u>473,790</u> |
| Bond premiums | | | | | <u>277,298</u> | <u>54,997</u> |
| Total | | | | | <u>\$ 4,385,429</u> | <u>\$ 1,170,806</u> |

Business-type activities:

| | | | | | | |
|--|--------------|------|------|-----------|----------------------|---------------------|
| Bonds payable: | | | | | | |
| Business-type activities: | | | | | | |
| Direct placements: | | | | | | |
| Blake Road project | \$ 695,900 | 2004 | 2024 | 3.00-5.00 | \$ 70,000 | \$ 35,000 |
| Exit 2 water system improvements | \$ 1,509,273 | 2018 | 2027 | 1.51 | 785,123 | 151,892 |
| South Broadway water main | \$ 2,883,125 | 2021 | 2030 | 0.81 | 2,306,500 | 288,313 |
| South Broadway sewer and bridge | \$ 5,533,127 | 2021 | 2040 | 2.00 | 4,753,403 | 264,078 |
| Total direct placements | | | | | <u>7,915,026</u> | <u>739,283</u> |
| Public offerings: | | | | | | |
| Bridge construction/water improvements | \$ 692,091 | 2013 | 2023 | 3.00 | 69,000 | 69,000 |
| Bridge construction/water improvements | \$ 1,900,000 | 2014 | 2024 | 2.00-3.00 | 370,000 | 185,000 |
| Water main improvement | \$ 1,110,000 | 2015 | 2025 | 2.00-4.00 | 330,000 | 110,000 |
| Drinking water capacity | \$ 800,000 | 2019 | 2024 | 1.49 | 320,000 | 160,000 |
| W. Dunston Road | \$ 1,180,000 | 2021 | 2031 | 0.82 | 1,060,000 | 120,000 |
| Total public offerings | | | | | <u>2,149,000</u> | <u>644,000</u> |
| Bond premiums | | | | | <u>271,879</u> | <u>60,667</u> |
| Total | | | | | <u>\$ 10,335,905</u> | <u>\$ 1,443,950</u> |

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The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2022, including interest payments, are as follows:

Governmental activities:

| Fiscal Year Ending December 31, | Bonds - Direct Placement | | | Bonds - Public Offerings | | | Notes/Loans - Direct Borrowings | | |
|------------------------------------|--------------------------|-------------------|---------------------|--------------------------|-------------------|---------------------|---------------------------------|-----------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 66,019 | \$ 23,767 | \$ 89,786 | \$ 576,000 | \$ 95,155 | \$ 671,155 | \$ 473,790 | \$ 5,389 | \$ 479,179 |
| 2024 | 66,019 | 22,447 | 88,466 | 465,000 | 71,375 | 536,375 | - | - | - |
| 2025 | 66,019 | 21,126 | 87,145 | 285,000 | 51,925 | 336,925 | - | - | - |
| 2026 | 66,019 | 19,806 | 85,825 | 280,000 | 37,800 | 317,800 | - | - | - |
| 2027 | 66,019 | 18,485 | 84,504 | 280,000 | 23,800 | 303,800 | - | - | - |
| 2028-2032 | 330,095 | 72,621 | 402,716 | 560,000 | 16,800 | 576,800 | - | - | - |
| 2033-2037 | 330,095 | 39,612 | 369,707 | - | - | - | - | - | - |
| 2038-2042 | 198,056 | 7,922 | 205,978 | - | - | - | - | - | - |
| Totals | <u>\$ 1,188,341</u> | <u>\$ 225,786</u> | <u>\$ 1,414,127</u> | <u>\$ 2,446,000</u> | <u>\$ 296,855</u> | <u>\$ 2,742,855</u> | <u>\$ 473,790</u> | <u>\$ 5,389</u> | <u>\$ 479,179</u> |

Business-type activities:

| Fiscal Year Ending December 31, | Bonds - Direct Placements | | | Bonds - Public Offerings | | |
|------------------------------------|---------------------------|---------------------|---------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 739,283 | \$ 128,375 | \$ 867,658 | \$ 644,000 | \$ 85,620 | \$ 729,620 |
| 2024 | 741,584 | 116,784 | 858,368 | 575,000 | 59,600 | 634,600 |
| 2025 | 708,920 | 105,774 | 814,694 | 230,000 | 39,650 | 269,650 |
| 2026 | 711,292 | 95,786 | 807,078 | 120,000 | 29,250 | 149,250 |
| 2027 | 715,999 | 85,761 | 801,760 | 120,000 | 23,250 | 143,250 |
| 2028-2032 | 2,185,325 | 304,495 | 2,489,820 | 460,000 | 36,800 | 496,800 |
| 2033-2037 | 1,320,390 | 158,448 | 1,478,838 | - | - | - |
| 2038-2042 | 792,233 | 31,690 | 823,923 | - | - | - |
| Totals | <u>\$ 7,915,026</u> | <u>\$ 1,027,113</u> | <u>\$ 8,942,139</u> | <u>\$ 2,149,000</u> | <u>\$ 274,170</u> | <u>\$ 2,423,170</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 and proprietary revenues.

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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 \$702,000 as of December 31, 2022. The estimated total cost of the landfill postclosure care 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, 2022. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Previously, a 30-year period after closure was presented in the Town's engineers estimates based on New Hampshire Department of Environmental Safety (NHDES) requirements for financial assurance for landfills. The financial assurance requirements were modified in 2014 to provide for financial assurance for 30 years on an ongoing basis. The necessary effort and costs for postclosure care will vary with a range of issues, including water quality, NHDES requirements, cap condition and gas testing. The Town's engineer anticipates postclosure costs will potentially decrease, on average, by approximately half after the first 30 years of closure (8 years from now) and continue at the reduced level for an indefinite time frame. The Town's engineer believes a 30-year period from year-end is a reasonable evaluation period for accounting purposes. The resulting estimate of total cost of \$702,000 as of December 31, 2022.

Bonds Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2022 were as follows:

| Per Town Meeting Vote of | Purpose | Unissued Amount |
|--------------------------------|---|-----------------------------|
| March, 2014 (WA #8) | Replacement of bridges and culverts | \$ 24 |
| March, 2019 (WA #5) | Drinking water capacity | 4,285,000 |
| March, 2021 (WA #13) | Stormwater planning - CWSRF | 75,000 |
| March, 2022 (WA #8) | Wastewater treatment facility- soil/groundwater remediation | 6,750,000 |
| | | <u><u>\$ 11,110,024</u></u> |

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 one 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.

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

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

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

Contributions – The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$5,319,178, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2022 the Town reported a liability of \$52,239,174 (\$50,986,601 for governmental activities and \$1,252,574 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, 2022, 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, 2022, the Town's proportion was 0.91% which was a decrease of 0.01% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized pension expense of \$4,618,523. At December 31, 2022 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Governmental Activities | | Business-type Activities and Proprietary Funds | |
|---|--------------------------------------|-------------------------------------|---|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| | \$ 68,675 | \$ 1,644,100 | \$ 1,687 | \$ 40,390 |
| Changes in proportion | | | | |
| Changes in assumptions | 2,712,080 | - | 66,627 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 1,932,327 | - | 47,471 | - |
| Differences between expected and actual experience | 956,927 | 195,730 | 23,509 | 4,808 |
| Contributions subsequent to the measurement date | 2,648,230 | - | 65,058 | - |
| Total | \$ 8,318,239 | \$ 1,839,830 | \$ 204,352 | \$ 45,198 |

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The \$2,648,230 (governmental activities) and \$65,058 (business-type activities, and proprietary funds) reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending December 31, | Business-type | | |
|------------------------------------|----------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Activities and Proprietary Funds | Total |
| 2023 | \$ 1,317,684 | \$ 32,402 | \$ 1,350,086 |
| 2024 | 1,064,947 | 26,187 | 1,091,134 |
| 2025 | (1,144,975) | (28,155) | (1,173,130) |
| 2026 | 2,592,435 | 63,749 | 2,656,184 |
| Thereafter | - | - | - |
| Totals | <u>\$ 3,830,091</u> | <u>\$ 94,183</u> | <u>\$ 3,924,274</u> |

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly, apply to 2022 measurements:

| | |
|----------------------------|---|
| Inflation: | 2.0% |
| Salary increases: | 5.4% average, including inflation. |
| Wage inflation: | 2.75% (2.25% for teachers) |
| Investment rate of return: | 6.75% net of pension plan investment expense, including inflation |

Mortality rates were based on the Pub-2010 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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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 long-term rates of return for 2022:

| Asset Class | Target Allocation | 30 year geometric return | |
|-----------------------------|----------------------|-----------------------------|--|
| | | 2022 | |
| Broad US equity | 30.00% | 7.60% | |
| Global Ex-US equity | 20.00% | 7.90% | |
| Total public equity | 50.00% | | |
| Real estate equity | 10.00% | 6.60% | |
| Private equity | 10.00% | 8.85% | |
| Total private market equity | 20.00% | | |
| Core US fixed income | 25.00% | 3.60% | |
| Private debt | 5.00% | 7.25% | |
| Total | <u>100.00%</u> | | |

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Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

| Activities | Actuarial Valuation Date | 1% Decrease | Current Single Rate Assumption | 1% Increase |
|---------------|--------------------------|---------------|--------------------------------|---------------|
| | | 5.75% | 6.75% | 7.75% |
| Governmental | June 30, 2022 | \$ 68,409,598 | \$ 50,986,601 | \$ 36,498,854 |
| Business-type | June 30, 2022 | \$ 1,682,203 | \$ 1,252,573 | \$ 897,513 |

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 (OPEB)

18-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2022 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.

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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 2022, 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 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$475,441, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At December 31, 2022, the Town reported a liability of \$4,223,879 (\$4,122,600 for governmental activities and \$101,279 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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, the Town's proportion was 1.12% which was an increase of 0.07% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Town recognized OPEB expense of \$411,324. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Governmental Activities | | Business-type Activities and Proprietary Funds | |
|--|--------------------------------|-------------------------------|--|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| | | | | |
| Net difference between projected and actual investment earnings on OPEB plan investments | \$ 11,267 | \$ - | \$ 277 | \$ - |
| Contributions subsequent to the measurement date | 237,324 | - | 5,830 | - |
| Total | \$ 248,591 | \$ - | \$ 6,107 | \$ - |

The \$237,324 (governmental activities) and \$5,830 (business-type activities and proprietary funds) reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending December 31, | Business-type | | |
|------------------------------------|-------------------------|----------------------------------|------------------|
| | Governmental Activities | Activities and Proprietary Funds | Total |
| 2023 | \$ 1,873 | \$ 46 | \$ 1,919 |
| 2024 | 487 | 12 | 499 |
| 2025 | (4,432) | (109) | (4,541) |
| 2026 | 13,339 | 328 | 13,667 |
| Thereafter | - | - | - |
| Totals | \$ 11,267 | \$ 277 | \$ 11,544 |

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021 and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|--|
| Price inflation: | 2.0% per year |
| Wage inflation: | 2.75% (2.25% for teachers) |
| Salary increases: | 5.4% average, including inflation |
| Investment rate of return: | 6.75% net of OPEB plan investment expense, including inflation |
| Health care trend rate: | Not applicable, given that the benefits are fixed stipends |

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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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2022:

| Asset Class | Target Allocation | 30 year geometric return | |
|-----------------------------|-------------------|--------------------------|--|
| | | 2022 | |
| Broad US equity | 30.00% | 7.60% | |
| Global Ex-US equity | 20.00% | 7.90% | |
| Total public equity | 50.00% | | |
| Real estate equity | 10.00% | 6.60% | |
| Private equity | 10.00% | 8.85% | |
| Total private market equity | 20.00% | | |
| Core US fixed income | 25.00% | 3.60% | |
| Private debt | 5.00% | 7.25% | |
| Total | 100.00% | | |

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. 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 | | 1% Increase 7.75% |
|---------------|--------------------------|----------------------|--------------------------------|--|----------------------|
| | | | 6.75% | | |
| Governmental | June 30, 2022 | \$ 4,475,784 | \$ 4,122,600 | | \$ 3,815,004 |
| Business-type | June 30, 2022 | \$ 109,956 | \$ 101,279 | | \$ 93,722 |

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

18-B Town of Salem Retiree Health Benefit Program

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

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Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees and their dependents. The benefits are provided through the Town, and the full cost of the benefits is shared between the Town and retirees.

Employees Covered by Benefit Terms – At December 31, 2022, the following employees were covered by the benefit terms:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 61 |
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Active plan members | 236 |
| Total participants covered by OPEB plan | <u>297</u> |

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

Net OPEB Liability – The Town's net OPEB liability of \$34,804,807 was measured as of January 1, 2022, rolled forward to the measurement date, and using the following actuarial assumptions, applied to all periods included in the measurement.

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

| | |
|--------------------------------|---|
| Inflation: | 2.4% per year |
| Discount Rate: | 3.72% (net of investment expenses, including inflation) |
| Health care trend rate: | 7.00% for 2021, decreasing 0.4% per year to 5.4%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical trend rate is reached in 2075. |

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

| | |
|---------------------------|--|
| Pre-Retirement: | PubG-2010 headcount-weighted Employee General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019. |
| Healthy Retirees: | 10% of PubG-2010 headcount-weighted Retiree General Mortality Tables for males and 109% of PubG-2010 headcount weighted Retiree General Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019. |
| Surviving Spouses: | PubG-2010 Contingent Survivor General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019. |
| Disables Retirees: | PubG-2010 Disables General Mortality Tables projected with fully generational mortality improvement using scale MP-2019. |

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage provided in the investment policy statement and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2022 are summarized below:

| Asset Class | Target Allocation | Long-term Expected Real Rates of Return |
|----------------------|-------------------|---|
| Domestic Equity | 34.00% | 4.66% |
| Fixed Income | 24.00% | 1.31% |
| International Equity | 22.00% | 5.88% |
| Alternative | 20.00% | 5.28% |
| Cash and Equivalents | 0.00% | 0.00% |
| Total | <u>100.00%</u> | |

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Discount Rate – The discount rate used to measure the total OPEB liability was 3.72%. The projection of cash flows used to determine the discount rate assumed that employer contributions from the Town will be made in accordance with the plans funding policy. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the 3.72% municipal bond rate was applied to all periods to determine the total OPEB liability.

Changes in the Net OPEB Liability

| | Governmental Activities | | |
|--|-----------------------------|--------------------------|-----------------------------|
| | Increase (Decrease) | | |
| | Plan | Fiduciary | Net OPEB |
| | Total OPEB Liability | Net Position | Liability |
| OPEB liability beginning of year | \$ 45,763,912 | \$ 83,534 | \$ 45,680,378 |
| Changes for the year: | | | |
| Service cost | 1,131,183 | - | 1,131,183 |
| Interest | 956,708 | - | 956,708 |
| Changes of assumptions | (12,275,621) | - | (12,275,621) |
| Contributions - employer | - | 940,916 | (940,916) |
| Net investment income | - | (13,022) | 13,022 |
| Benefit payments | (905,916) | (905,916) | - |
| OPEB liability end of year | <u><u>\$ 34,670,266</u></u> | <u><u>\$ 105,512</u></u> | <u><u>\$ 34,564,754</u></u> |
| Business-type Activities and Proprietary Funds | | | |
| | Increase (Decrease) | | |
| | Plan | Fiduciary | Net OPEB |
| | Total OPEB Liability | Net Position | Liability |
| OPEB liability beginning of year | \$ 285,551 | \$ 20,884 | \$ 264,667 |
| Changes for the year: | | | |
| Service cost | 15,391 | - | 15,391 |
| Interest | 6,118 | - | 6,118 |
| Changes of assumptions | (26,622) | - | (26,622) |
| Contributions - employer | - | 22,916 | (22,916) |
| Net investment income | - | (3,415) | 3,415 |
| Benefit payments | (7,916) | (7,916) | - |
| OPEB liability end of year | <u><u>\$ 272,522</u></u> | <u><u>\$ 32,469</u></u> | <u><u>\$ 240,053</u></u> |

Sensitivity of the Town's Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability calculated using the current discount rate of 3.72% as well as what the net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (2.72%) or 1-percentage point higher(4.72%) than the current rate:

| Activities | Discount Rate | | |
|---------------|---------------|----------------|---------------|
| | 1% Decrease | Baseline 3.72% | 1% Increase |
| Governmental | \$ 41,127,003 | \$ 34,564,754 | \$ 29,540,744 |
| Business-type | \$ 291,635 | \$ 240,053 | \$ 200,563 |

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability calculated using the current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage point lower (6.00% year 1 decreasing to 3%) or 1-percentage point higher(8.00% year 1 decreasing to 5%) than the current rate:

| Activities | Healthcare Cost Trend Rates | | |
|---------------|-----------------------------|----------------|---------------|
| | 1% Decrease | Baseline 7.00% | 1% Increase |
| Governmental | \$ 28,324,151 | \$ 34,564,754 | \$ 42,688,521 |
| Business-type | \$ 190,999 | \$ 240,053 | \$ 303,909 |

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2022, the Town recognized OPEB expense of \$2,539,951. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Governmental Activities | | Business-type Activities and Proprietary Funds | |
|--|--------------------------------|-------------------------------|--|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Net difference between projected and actual investment earnings on OPEB plan investments | \$ 14,287 | \$ - | \$ 4,396 | \$ - |
| Changes in assumptions | 6,787,090 | 11,690,384 | 42,349 | 72,944 |
| Differences between expected and actual experience | 5,031,262 | - | 31,393 | - |
| Total | <u>\$ 11,832,639</u> | <u>\$ 11,690,384</u> | <u>\$ 78,138</u> | <u>\$ 72,944</u> |

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

| Fiscal Year Ending December 31, | Business-type Activities and Proprietary Funds | | |
|------------------------------------|--|-----------------|--------------------|
| | Governmental Activities | Total | |
| 2023 | \$ 422,440 | \$ 15,426 | \$ 437,866 |
| 2024 | 585,990 | 21,399 | 607,389 |
| 2025 | 1,028,189 | 37,548 | 1,065,737 |
| 2026 | 373,235 | 13,630 | 386,865 |
| 2027 | (370,072) | (13,514) | (383,586) |
| Thereafter | <u>(1,897,528)</u> | <u>(69,294)</u> | <u>(1,966,822)</u> |
| Totals | <u>\$ 142,254</u> | <u>\$ 5,195</u> | <u>\$ 147,449</u> |

NOTE 19 – STATE AID TO WATER POLLUTION PROJECTS

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

| Purpose | Bonds Issued | Amount |
|-------------------------------|-----------------|---------------------|
| West Duston Road Area | State Aid Grant | |
| Utility Improvements | C-948 | \$ 245,321 |
| South Broadway Infrastructure | State Aid Grant | |
| Improvements | C-844 | 1,104,958 |
| | Total | <u>\$ 1,350,279</u> |

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

At December 31, 2022 the Town is due to receive the following annual amounts to offset debt payments:

Governmental activities:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 15,754 | \$ 4,753 | \$ 20,507 |
| 2024 | 15,754 | 4,489 | 20,243 |
| 2025 | 15,755 | 4,225 | 19,980 |
| 2026 | 13,204 | 3,961 | 17,165 |
| 2027 | 13,203 | 3,697 | 16,900 |
| 2028-2032 | 66,019 | 14,524 | 80,543 |
| 2033-2037 | 66,019 | 7,922 | 73,941 |
| 2038-2042 | 39,613 | 1,585 | 41,198 |
| Total | <u>\$ 245,321</u> | <u>\$ 45,156</u> | <u>\$ 290,477</u> |

Business-type activities:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 75,595 | \$ 24,280 | \$ 99,875 |
| 2024 | 75,595 | 22,595 | 98,190 |
| 2025 | 75,593 | 20,910 | 96,503 |
| 2026 | 65,392 | 19,225 | 84,617 |
| 2027 | 65,392 | 17,539 | 82,931 |
| 2028-2032 | 324,864 | 63,172 | 388,036 |
| 2033-2037 | 264,076 | 31,690 | 295,766 |
| 2038-2042 | 158,451 | 6,338 | 164,789 |
| Total | <u>\$ 1,104,958</u> | <u>\$ 205,749</u> | <u>\$ 1,310,707</u> |

NOTE 20 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2022 are as follows:

| | |
|------------------------|---------------------|
| General fund: | |
| General government | \$ 100,927 |
| Public safety | 359,655 |
| Highways and streets | 58,099 |
| Sanitation | 14,711 |
| Culture and recreation | 40,061 |
| Capital outlay | 1,819,355 |
| Total encumbrances | <u>\$ 2,392,808</u> |

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

NOTE 21 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at December 31, 2022 include the following:

| | Government-wide Financial Statements | | | Fiduciary Funds |
|---|--------------------------------------|--------------------------|----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Net investment in capital assets: | | | | |
| Net book value, all capital assets | \$ 80,972,289 | \$ 46,320,334 | \$ 127,292,623 | \$ - |
| Less: | | | | |
| General obligation bonds payable | (3,634,341) | (10,064,026) | (13,698,367) | - |
| Unamortized bond premiums | (277,298) | (271,879) | (549,177) | - |
| Notes payable | (473,790) | - | (473,790) | - |
| Total net investment in capital assets | <u>76,586,860</u> | <u>35,984,429</u> | <u>112,571,289</u> | <u>-</u> |
| Restricted net position: | | | | |
| Perpetual care - nonexpendable | 534,307 | - | 534,307 | - |
| Perpetual care - expendable | 104,735 | - | 104,735 | - |
| Grants and donations | 471,116 | - | 471,116 | - |
| Police forfeiture | 165,119 | - | 165,119 | - |
| Library | 81,071 | - | 81,071 | - |
| Water | - | 1,309,115 | 1,309,115 | - |
| Sewer | - | 4,279,376 | 4,279,376 | - |
| Individuals, organizations, and other governments | - | - | - | 5,211,520 |
| OPEB trust | - | - | - | 137,981 |
| Total restricted net position | <u>1,356,348</u> | <u>5,588,491</u> | <u>6,944,839</u> | <u>5,349,501</u> |
| Unrestricted | <u>(54,169,574)</u> | <u>-</u> | <u>(54,169,574)</u> | <u>-</u> |
| Total net position | <u>\$ 23,773,634</u> | <u>\$ 41,572,920</u> | <u>\$ 65,346,554</u> | <u>\$ 5,349,501</u> |

NOTE 22 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2022 include the following:

| | General Fund | Capital Projects Fund | Nonmajor Funds | Total Governmental Funds |
|------------------------------------|----------------|-----------------------|----------------|--------------------------|
| Nonspendable: | | | | |
| Prepaid items | \$ 295,224 | \$ - | \$ - | \$ 295,224 |
| Tax deeded property | 70,397 | - | - | 70,397 |
| Permanent fund - principal balance | - | - | 534,307 | 534,307 |
| Total nonspendable fund balance | <u>365,621</u> | <u>-</u> | <u>534,307</u> | <u>899,928</u> |
| Restricted: | | | | |
| Bond proceeds | 41,486 | - | - | 41,486 |
| Permanent - income balance | - | - | 104,735 | 104,735 |
| Grants and donations | - | - | 471,116 | 471,116 |
| Police forfeiture | - | - | 165,119 | 165,119 |
| Library | - | - | 81,071 | 81,071 |
| Capital projects | - | 963,501 | - | 963,501 |
| Total restricted fund balance | <u>41,486</u> | <u>963,501</u> | <u>822,041</u> | <u>1,827,028</u> |

(Continued)

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Governmental fund balances continued:

| | General Fund | Capital Projects Fund | Nonmajor Funds | Total Governmental Funds |
|--|----------------------|-----------------------------|---------------------|--------------------------------|
| Committed: | | | | |
| Expendable trusts | 4,279,488 | - | - | 4,279,488 |
| MetLife investments fair market value adjustment | 113,954 | - | - | 113,954 |
| Cable TV | - | - | 439,967 | 439,967 |
| CDBG | - | - | 198 | 198 |
| Conservation | - | - | 1,671,904 | 1,671,904 |
| Fire outside details | - | - | 32,380 | 32,380 |
| Police outside details | - | - | 794,645 | 794,645 |
| Recreation | - | - | 194,665 | 194,665 |
| Impact fees | - | - | 3,706,064 | 3,706,064 |
| Total committed fund balance | <u>4,393,442</u> | <u>-</u> | <u>6,839,823</u> | <u>11,233,265</u> |
| Assigned: | | | | |
| Encumbrances | 2,392,808 | - | - | 2,392,808 |
| Contingency | 3,082,250 | - | - | 3,082,250 |
| Total assigned fund balance | <u>5,475,058</u> | <u>-</u> | <u>-</u> | <u>5,475,058</u> |
| Unassigned | | | | |
| Total governmental fund balances | <u>\$ 24,475,845</u> | <u>\$ 963,501</u> | <u>\$ 8,196,171</u> | <u>\$ 33,635,517</u> |

NOTE 23 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2022 was restated to give retroactive effect to the following prior period adjustments:

| | Governmental Activities | Business-type Activities | Other Governmental Funds | Proprietary Funds Water |
|--|-----------------------------|-----------------------------|--------------------------------|-----------------------------|
| To reclassify amounts incorrectly reported in the permanent funds in prior year | \$ 19,250 | \$ - | \$ 19,250 | \$ - |
| To implement GASB Statement No. 87 | - | (708,320) | - | (708,320) |
| Net position/fund balance, as previously reported | <u>22,964,315</u> | <u>39,911,592</u> | <u>7,913,204</u> | <u>30,262,789</u> |
| Net position/fund balance, as restated | <u><u>\$ 22,983,565</u></u> | <u><u>\$ 39,203,272</u></u> | <u><u>\$ 7,932,454</u></u> | <u><u>\$ 29,554,469</u></u> |

NOTE 24 – 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 2022, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2022 to December 31, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022 the Town paid \$557,461 and \$1,077,007 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Health Insurance – The Town self-funds its own health insurance plans. Changes in the balances of the health contracts payable as described are recorded by the Town during the current period and previous years as follows:

| Year-Ended | Health Contracts | |
|-------------------|------------------|--|
| | Payable | |
| December 31, 2022 | \$ 1,747,744 | |
| December 31, 2021 | \$ 233 | |
| December 31, 2020 | \$ 240,514 | |
| December 31, 2019 | \$ - | |
| December 31, 2018 | \$ 153,395 | |

NOTE 25 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 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 had no such agreements for the year-ended December 31, 2022.

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.

The Town was allotted a total of \$3,118,810 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$1,559,405 or 50% of the funding was received in 2021. The remaining 50% was received in 2022. Eligible uses of these funds include pandemic responses or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue and necessary water, sewer, and broadband investment. For the year ended December 31, 2022 the Town spent \$1,016,072 of the funds received. The remaining funds are included in the deferred inflows of resources until eligible expenditures have been made.

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

NOTE 27 – CONTINGENT LIABILITIES

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 28 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date.

Management has evaluated subsequent events through September 18, 2023, the date the December 31, 2022 financial statements were available to be issued, and the following events occurred that require recognition or disclosure:

- At the March 14, 2023 Annual Town election, the following articles were approved:

Warrant Article 5, authorizing the use of \$248,616 of December 31, 2022 fund balance to fund general government operations.

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

Warrant Article 6, authorizing the use of \$173,715 of December 31, 2022 fund balance to fund police services.

Warrant Article 7, authorizing the use of \$152,929 of December 31, 2022 fund balance to fund fire services.

Warrant Article 8, authorizing the use of \$49,289 of December 31, 2022 fund balance to fund transfer station services.

Warrant Article 9, authorizing the use of \$25,451 of December 31, 2022 fund balance to purchase two turf mowers.

Warrant Article 10, authorizing the use of \$536,850 of December 31, 2022 fund balance to replace the roof at the district court building.

Warrant Article 11, authorizing the use of \$747,885 of December 31, 2022 fund balance to purchase a fire pumper.

Warrant Article 12, authorizing the use of \$200,000 of December 31, 2022 fund balance to be placed in the winter weather capital reserve fund.

Warrant Article 16, authorizing the use of \$40,000 of December 31, 2022 fund balance to be placed in the OPEB trust.

The total of the amounts voted from December 31, 2022 fund balance was \$2,174,735.

- Also, at the March 14, 2023 Town election Warrant Article 2 was approved by the voters which adopted a Town Charter. The Charter includes an Official Ballot with a Town Council of nine members.
- Additionally, the Town extended the due date of the bond anticipation note from July 7, 2023 to February 8, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G

TOWN OF SALEM, NEW HAMPSHIRE

Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022

Unaudited

| Fiscal year-end | December 31, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Measurement date | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
| Town's: | | | | | | | | | | |
| Proportion of the net pension liability | 0.96% | 1.01% | 1.00% | 0.99% | 0.97% | 0.97% | 0.98% | 0.94% | 0.92% | 0.91% |
| Proportionate share of the net pension liability | \$ 41,281,824 | \$ 37,801,337 | \$ 39,790,897 | \$ 52,814,323 | \$ 47,877,646 | \$ 46,779,743 | \$ 47,186,946 | \$ 59,824,316 | \$ 40,708,511 | \$ 52,239,174 |
| Covered payroll | \$ 16,548,303 | \$ 17,665,164 | \$ 18,230,211 | \$ 17,795,519 | \$ 18,538,018 | \$ 19,239,017 | \$ 20,057,803 | \$ 19,853,485 | \$ 20,499,115 | \$ 21,669,021 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 249.46% | 213.99% | 218.27% | 296.78% | 258.27% | 243.15% | 235.25% | 301.33% | 198.59% | 241.08% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.81% | 66.32% | 65.47% | 58.30% | 62.66% | 64.73% | 65.59% | 58.72% | 72.22% | 65.12% |

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, 2022
Unaudited

| Fiscal year-end | December 31, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Measurment date | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
| Contractually required contributions | \$ 2,385,091 | \$ 3,267,177 | \$ 3,369,755 | \$ 3,556,439 | \$ 3,566,426 | \$ 4,106,124 | \$ 4,267,740 | \$ 4,155,073 | \$ 4,689,492 | \$ 5,319,178 |
| Contributions in relation to the contractually required contributions | (2,385,091) | (3,267,177) | (3,369,755) | (3,556,439) | (3,566,426) | (4,106,124) | (4,267,740) | (4,155,073) | (4,689,492) | (5,319,178) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered payroll | \$ 16,548,303 | \$ 17,665,164 | \$ 18,230,211 | \$ 17,795,519 | \$ 18,538,018 | \$ 19,239,017 | \$ 20,057,803 | \$ 19,853,485 | \$ 20,947,539 | \$ 21,866,249 |
| Contributions as a percentage of covered payroll | -14.41% | -18.50% | -18.48% | -19.99% | -19.24% | -21.34% | -21.28% | -20.93% | -22.39% | -24.33% |

TOWN OF SALEM, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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

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

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

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

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, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

EXHIBIT I

TOWN OF SALEM, NEW HAMPSHIRE

Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability

New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan

For the Fiscal Year Ended December 31, 2022

Unaudited

| Fiscal year-end | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Measurement date | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
| Town's proportion of the net OPEB liability | 0.83% | 0.80% | 1.20% | 1.22% | 1.07% | 1.05% | 1.12% |
| Town's proportionate share of the net OPEB liability (asset) | \$ 3,994,098 | \$ 3,669,214 | \$ 5,514,957 | \$ 5,355,517 | \$ 4,702,826 | \$ 4,217,349 | \$ 4,223,879 |
| Town's covered payroll | \$ 17,795,519 | \$ 18,538,018 | \$ 19,239,017 | \$ 20,057,803 | \$ 19,853,485 | \$ 20,499,115 | \$ 21,669,021 |
| Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 22.44% | 19.79% | 28.67% | 26.70% | 23.69% | 20.57% | 19.49% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.21% | 7.91% | 7.53% | 7.75% | 7.74% | 11.06% | 10.64% |

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

EXHIBIT J
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2022

Unaudited

| Fiscal year-end | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Measurement date | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
| Contractually required contribution | \$ 479,403 | \$ 475,631 | \$ 532,806 | \$ 557,477 | \$ 498,715 | \$ 481,163 | \$ 475,441 |
| Contributions in relation to the contractually required contribution | (479,403) | (475,631) | (532,806) | (557,477) | (498,715) | (481,163) | (475,441) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered payroll | <u>\$ 17,795,519</u> | <u>\$ 18,538,018</u> | <u>\$ 19,239,017</u> | <u>\$ 20,057,803</u> | <u>\$ 20,499,115</u> | <u>\$ 20,947,539</u> | <u>\$ 21,866,249</u> |
| Contributions as a percentage of covered payroll | -2.69% | -2.57% | -2.77% | -2.78% | -2.43% | -2.30% | -2.17% |

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 Net Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Total OPEB liability, beginning of year | \$ 34,442,040 | \$ 31,346,357 | \$ 32,369,229 | \$ 37,569,500 | \$ 46,049,463 |
| Changes for the year: | | | | | |
| Service cost | 738,885 | 654,736 | 672,062 | 807,320 | 1,146,574 |
| Interest | 1,196,371 | 1,299,066 | 894,648 | 804,093 | 962,826 |
| Changes to benefit terms | - | (8,106,088) | - | - | - |
| Differences between expected and actual experience | - | 1,767,666 | - | 5,783,749 | - |
| Changes of assumptions | (4,225,561) | 6,040,596 | 4,413,371 | 1,980,611 | (12,302,243) |
| Change in actuarial cost method | - | - | - | - | - |
| Benefit payments | (805,378) | (633,104) | (779,810) | (895,810) | (913,832) |
| Total OPEB liability, end of year | <u>\$ 31,346,357</u> | <u>\$ 32,369,229</u> | <u>\$ 37,569,500</u> | <u>\$ 46,049,463</u> | <u>\$ 34,942,788</u> |
| Plan fiduciary net position, beginning of year | \$ - | \$ - | \$ - | \$ - | \$ 104,418 |
| Changes for the year: | | | | | |
| Contributions - employer | 805,378 | 633,104 | 779,810 | 995,810 | 963,832 |
| Net investment income | - | - | - | 4,418 | (16,437) |
| Benefit payments | (805,378) | (633,104) | (779,810) | (895,810) | (913,832) |
| Plan fiduciary net position, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 104,418</u> | <u>\$ 137,981</u> |
| Town's net OPEB liability, end of year | \$ 31,346,357 | \$ 32,369,229 | \$ 37,569,500 | \$ 45,945,045 | \$ 34,804,807 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.23% | 0.39% |
| Covered payroll | \$ 18,879,190 | \$ 20,168,260 | \$ 20,813,862 | \$ 20,953,271 | \$ 21,536,660 |
| Net OPEB liability as a percentage of covered payroll | 166.04% | 160.50% | 180.50% | 219.27% | 161.61% |

EXHIBIT L
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Town Contributions - OPEB
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2022
Unaudited

| | December 31, | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Actuarially determined contributions | \$ 2,622,772 | \$ 2,516,876 | \$ 2,287,027 | \$ 2,529,590 | \$ 3,238,632 |
| Contributions in relation to the actuarially determined contributions | 805,378 | 633,104 | 779,810 | 995,810 | 963,832 |
| Contribution deficiency (excess) | <u>\$ 1,817,394</u> | <u>\$ 1,883,772</u> | <u>\$ 1,507,217</u> | <u>\$ 1,533,780</u> | <u>\$ 2,274,800</u> |
| Town's covered payroll | <u>\$ 18,879,190</u> | <u>\$ 20,168,260</u> | <u>\$ 20,813,862</u> | <u>\$ 20,953,271</u> | <u>\$ 21,536,660</u> |
| Contributions as a percentage of covered payroll | 4.27% | 3.14% | 3.75% | 4.75% | 4.48% |

TOWN OF SALEM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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

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

Changes in Assumptions – Salary increases changed to 5.4% from 5.6% in the current period.

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

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, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

Changes in Benefit Terms – The discount rate changed from 2016% as of December 31, 2021 to 3.72% as of December 31, 2022. In addition, the inflation rate was updated in this valuation. A summary of the impact on the Total OPEB Liability (TOL) of each assumption change is provided below:

| | |
|--|-------------------------------|
| Decrease due to change in inflation assumption | \$ (157,000) |
| Decrease due to change in discount rate | <u>(12,146,000)</u> |
| Total | <u><u>\$ (12,303,000)</u></u> |

Changes in Assumptions – All benefit terms are the same as those used in the prior measurement. A Summary of the Principal Plan Provisions is provided in Section 5.

As required by GASB Statement No. 75, Exhibit K and L represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2022. 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.

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, 2022

| | Estimated | Actual | Variance Positive (Negative) |
|--|----------------------|----------------------|------------------------------------|
| Taxes: | | | |
| Property | \$ 31,570,214 | \$ 32,099,298 | \$ 529,084 |
| Yield | 1,000 | 2,463 | 1,463 |
| Excavation | - | 1,842 | 1,842 |
| Payment in lieu of taxes | 81,109 | 78,416 | (2,693) |
| Other | 25,000 | 26,745 | 1,745 |
| Interest and penalties on taxes | 155,000 | 212,998 | 57,998 |
| Total from taxes | <u>31,832,323</u> | <u>32,421,762</u> | <u>589,439</u> |
| Licenses, permits, and fees: | | | |
| Business licenses, permits, and fees | 55,200 | 60,380 | 5,180 |
| Motor vehicle permit fees | 7,000,000 | 7,225,986 | 225,986 |
| Building permits | 1,328,000 | 2,631,788 | 1,303,788 |
| Other | 340,600 | 376,169 | 35,569 |
| Total from licenses, permits, and fees | <u>8,723,800</u> | <u>10,294,323</u> | <u>1,570,523</u> |
| Intergovernmental: | | | |
| State: | | | |
| Meals and rooms distribution | 2,675,895 | 2,675,895 | - |
| Highway block grant | 662,448 | 659,857 | (2,591) |
| Water pollution grants | 219,072 | - | (219,072) |
| Other | 415,880 | 525,733 | 109,853 |
| Total from intergovernmental | <u>3,973,295</u> | <u>3,861,485</u> | <u>(111,810)</u> |
| Charges for services: | | | |
| Income from departments | <u>1,296,675</u> | <u>2,711,763</u> | <u>1,415,088</u> |
| Miscellaneous: | | | |
| Sale of municipal property | 400,000 | 43,723 | (356,277) |
| Interest on investments | 6,000 | 83,242 | 77,242 |
| Other | <u>1,699,899</u> | <u>1,547,104</u> | <u>(152,795)</u> |
| Total from miscellaneous | <u>2,105,899</u> | <u>1,674,069</u> | <u>(431,830)</u> |
| Other financing sources: | | | |
| Transfers in | 599,122 | 846,383 | 247,261 |
| Bond proceeds | 1,350,001 | 15,044 | (1,334,957) |
| Principal forgiveness | - | 73,308 | 73,308 |
| Total other financing sources | <u>1,949,123</u> | <u>934,735</u> | <u>(1,014,388)</u> |
| Total revenues and other financing sources | 49,881,115 | <u>\$ 51,898,137</u> | <u>\$ 2,017,022</u> |
| Unassigned fund balance used to reduce tax rate | 15,918 | | |
| Amounts voted from fund balance | 5,000,000 | | |
| Total revenues, other financing sources, and use of fund balance | <u>\$ 54,897,033</u> | | |

See Independent Auditor's Report.

SCHEDULE 2
TOWN OF SALEM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2022

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|--------------------------------------|----------------------------------|-------------------|-------------------|-------------------------------------|------------------------------------|
| Current: | | | | | |
| General government: | | | | | |
| Executive | \$ 2,378 | \$ 649,501 | \$ 613,935 | \$ - | \$ 37,944 |
| Election and registration | 30 | 299,898 | 299,899 | - | 29 |
| Financial administration | 5,715 | 2,881,830 | 2,448,454 | 32,320 | 406,771 |
| Revaluation of property | - | - | 894 | - | (894) |
| Legal | - | 158,700 | 827,823 | - | (669,123) |
| Personnel administration | 624 | 1,856,724 | 1,891,014 | 1,956 | (35,622) |
| Planning and zoning | - | 678,743 | 654,776 | - | 23,967 |
| General government buildings | 2,542 | 227,392 | 270,523 | 8,946 | (49,535) |
| Cemeteries | 13,061 | 602,500 | 613,672 | 21,176 | (19,287) |
| Insurance, not otherwise allocated | 18,081 | 453,606 | 507,075 | - | (35,388) |
| Other | 5,986 | 768,745 | 655,040 | 36,529 | 83,162 |
| Total general government | <u>48,417</u> | <u>8,577,639</u> | <u>8,783,105</u> | <u>100,927</u> | <u>(257,976)</u> |
| Public safety: | | | | | |
| Police | 104,585 | 13,392,860 | 12,563,004 | 117,765 | 816,676 |
| Fire | 197,286 | 14,390,029 | 14,213,411 | 240,775 | 133,129 |
| Building inspection | - | 938,414 | 774,149 | 1,115 | 163,150 |
| Total public safety | <u>301,871</u> | <u>28,721,303</u> | <u>27,550,564</u> | <u>359,655</u> | <u>1,112,955</u> |
| Highways and streets: | | | | | |
| Administration | - | 548,560 | 405,293 | 29,090 | 114,177 |
| Highways and streets | 19,686 | 3,079,193 | 2,930,276 | 21,380 | 147,223 |
| Street lighting | 10,900 | 606,693 | 583,271 | 7,629 | 26,693 |
| Total highways and streets | <u>30,586</u> | <u>4,234,446</u> | <u>3,918,840</u> | <u>58,099</u> | <u>288,093</u> |
| Sanitation: | | | | | |
| Solid waste disposal | 10,566 | 1,131,860 | 1,461,203 | 14,711 | (333,488) |
| Health: | | | | | |
| Pest control | - | 106,402 | 29,474 | - | 76,928 |
| Welfare: | | | | | |
| Administration and direct assistance | - | 169,208 | 137,397 | - | 31,811 |
| Vendor payments and other | - | 105,500 | 105,000 | - | 500 |
| Total welfare | - | 274,708 | 242,397 | - | 32,311 |
| Culture and recreation: | | | | | |
| Parks and recreation | 5,226 | 707,299 | 599,269 | 40,061 | 73,195 |
| Library | - | 1,642,163 | 1,523,632 | - | 118,531 |
| Patriotic purposes | - | 12,600 | 11,796 | - | 804 |
| Total culture and recreation | <u>5,226</u> | <u>2,362,062</u> | <u>2,134,697</u> | <u>40,061</u> | <u>192,530</u> |
| Debt service: | | | | | |
| Principal of long-term debt | - | 642,020 | 642,019 | - | 1 |
| Interest on long-term debt | - | 144,023 | 144,022 | - | 1 |
| Interest on tax anticipation notes | - | 1 | - | - | 1 |
| Other | - | 50,250 | 5,259 | - | 44,991 |
| Total debt service | - | <u>836,294</u> | <u>791,300</u> | - | <u>44,994</u> |

(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, 2022

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---|----------------------------------|----------------|---------------|-------------------------------------|------------------------------------|
| Capital outlay | 192,459 | 3,674,839 | 1,937,805 | 1,819,355 | 110,138 |
| Other financing uses: Transfers out | - | 4,977,480 | 4,745,070 | - | 232,410 |
| Total appropriations, expenditures, other financing uses, and encumbrances | \$ 589,125 | \$ 54,897,033 | \$ 51,594,455 | \$ 2,392,808 | \$ 1,498,895 |

SCHEDULE 3
TOWN OF SALEM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2022

| | |
|--|-----------------------------|
| Unassigned fund balance, beginning (Non-GAAP Budgetary Basis) | \$ 14,445,522 |
| Changes: | |
| Unassigned fund balance used to reduce 2022 tax rate | (15,918) |
| Amounts voted from fund balance | (5,000,000) |
| 2022 Budget summary: | |
| Revenue surplus (Schedule 1) | \$ 2,017,022 |
| Unexpended balance of appropriations (Schedule 2) | <u>1,498,895</u> |
| 2022 Budget surplus | 3,515,917 |
| Decrease in nonspendable fund balance | 55,897 |
| Decrease in restricted fund balance | 20,743 |
| Decrease in assigned (non-encumbrance) fund balance | <u>1,459,000</u> |
| Unassigned fund balance, ending (Non-GAAP Budgetary Basis) | 14,481,161 |
| <i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i> | |
| To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis | (444,332) |
| Elimination of the allowance for uncollectible taxes | 69,319 |
| Change in lease receivables and deferred inflows of resources related to leases | <u>94,090</u> |
| Unassigned fund balance, ending, GAAP basis (Exhibit C-1) | <u><u>\$ 14,200,238</u></u> |

SCHEDULE 4
TOWN OF SALEM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2022

| | Special Revenue Funds | | | | |
|--|-----------------------|---------------|-------------------------|----------------------|----------------------|
| | Cable TV | CDBG | Conservation Commission | Fire Outside Details | Grants and Donations |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 323,674 | \$ 198 | \$ 1,687,504 | \$ 29,082 | \$ 2,482,265 |
| Investments | - | - | - | - | - |
| Receivables, net of allowance for uncollectable: | | | | | |
| Accounts | 153,838 | - | - | 3,298 | - |
| Intergovernmental receivables | - | - | - | - | 128,864 |
| Total assets | <u>\$ 477,512</u> | <u>\$ 198</u> | <u>\$ 1,687,504</u> | <u>\$ 32,380</u> | <u>\$ 2,611,129</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 31,495 | \$ - | \$ - | \$ - | \$ 37,275 |
| Accrued salaries and benefits | 6,050 | - | - | - | - |
| Interfund payable | - | - | 15,600 | - | - |
| Total liabilities | <u>37,545</u> | <u>-</u> | <u>15,600</u> | <u>-</u> | <u>37,275</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue - grants | - | - | - | - | 2,102,738 |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | 471,116 |
| Committed | 439,967 | 198 | 1,671,904 | 32,380 | - |
| Total fund balances | <u>439,967</u> | <u>198</u> | <u>1,671,904</u> | <u>32,380</u> | <u>471,116</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 477,512</u> | <u>\$ 198</u> | <u>\$ 1,687,504</u> | <u>\$ 32,380</u> | <u>\$ 2,611,129</u> |

| Special Revenue Funds | | | | | | |
|-----------------------|------------------------|-------------------|------------------|---------------------|----------------------|-------------------------|
| Police Forfeiture | Police Outside Details | Recreation | Library | Impact Fees | Permanent Fund | Total |
| \$ 165,119 | \$ 531,224 | \$ 199,761 | \$ 81,071 | \$ 4,214,196 | \$ 47,374 603,011 | \$ 9,761,468 603,011 |
| - | - | - | - | - | - | 434,910 |
| - | 277,774 | - | - | - | - | 128,864 |
| <u>\$ 165,119</u> | <u>\$ 808,998</u> | <u>\$ 199,761</u> | <u>\$ 81,071</u> | <u>\$ 4,214,196</u> | <u>\$ 650,385</u> | <u>\$ 10,928,253</u> |
| | | | | | | |
| \$ - | \$ - | \$ 5,096 | \$ - | \$ - | \$ - | \$ 73,866 |
| - | 14,353 | - | - | - | - | 20,403 |
| - | - | - | - | 508,132 | 11,343 | 535,075 |
| - | <u>14,353</u> | <u>5,096</u> | <u>-</u> | <u>508,132</u> | <u>11,343</u> | <u>629,344</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,102,738</u> |
| | | | | | | |
| - | - | - | - | - | 534,307 | 534,307 |
| 165,119 | - | - | 81,071 | - | 104,735 | 822,041 |
| - | 794,645 | 194,665 | - | 3,706,064 | - | 6,839,823 |
| <u>165,119</u> | <u>794,645</u> | <u>194,665</u> | <u>81,071</u> | <u>3,706,064</u> | <u>639,042</u> | <u>8,196,171</u> |
| <u>\$ 165,119</u> | <u>\$ 808,998</u> | <u>\$ 199,761</u> | <u>\$ 81,071</u> | <u>\$ 4,214,196</u> | <u>\$ 650,385</u> | <u>\$ 10,928,253</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, 2022

| | Special Revenue Funds | | | | |
|--|-----------------------|---------------|---------------------|------------------|-------------------------|
| | | | Conservation | Outside | Fire |
| | Cable TV | CDBG | Commission | Details | Grants and Donations |
| Revenues: | | | | | |
| Taxes | \$ - | \$ - | \$ 846,416 | \$ - | \$ - |
| Intergovernmental | - | 485,153 | 500 | - | 1,185,869 |
| Charges for services | - | - | - | 66,728 | - |
| Miscellaneous | 609,160 | - | 12,346 | 37 | 97,645 |
| Total revenues | 609,160 | 485,153 | 859,262 | 66,765 | 1,283,514 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 584,644 | - | - | - | 972,786 |
| Public safety | - | - | - | 59,845 | 199,557 |
| Highways and streets | - | - | - | - | - |
| Sanitation | - | - | - | - | 75,213 |
| Culture and recreation | - | - | - | - | 47,874 |
| Conservation | - | - | 7,299 | - | - |
| Capital outlay | - | 485,153 | - | - | - |
| Total expenditures | 584,644 | 485,153 | 7,299 | 59,845 | 1,295,430 |
| Excess (deficiency) of revenues over (under) expenditures | 24,516 | - | 851,963 | 6,920 | (11,916) |
| Other financing uses: | | | | | |
| Transfers in | - | - | - | - | 74,909 |
| Transfers out | (7,500) | - | - | - | - |
| Total other financing sources (uses) | (7,500) | - | - | - | 74,909 |
| Net change in fund balances | 17,016 | - | 851,963 | 6,920 | 62,993 |
| Fund balances, beginning, as restated (see Note 23) | 422,951 | 198 | 819,941 | 25,460 | 408,123 |
| Fund balances, ending | <u>\$ 439,967</u> | <u>\$ 198</u> | <u>\$ 1,671,904</u> | <u>\$ 32,380</u> | <u>\$ 471,116</u> |

| Special Revenue Funds | | | | | | |
|-----------------------|------------------------|-------------------|------------------|---------------------|-------------------|---------------------|
| Police Forfeiture | Police Outside Details | Recreation | Library | Impact Fees | Permanent Fund | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 846,416 |
| 154,194 | - | - | - | - | - | 1,825,716 |
| - | 1,327,914 | 192,106 | - | - | - | 1,586,748 |
| 13 | 1,048 | 303 | 7,344 | 844,016 | 17,268 | 1,589,180 |
| 154,207 | 1,328,962 | 192,409 | 7,344 | 844,016 | 17,268 | 5,848,060 |
| | | | | | | |
| - | 5,855 | - | - | 359,477 | 143,972 | 2,066,734 |
| 96,696 | 1,355,498 | - | - | 50,160 | - | 1,761,756 |
| - | - | - | - | 506,330 | - | 506,330 |
| - | - | - | - | - | - | 75,213 |
| - | - | 161,394 | 5,543 | 219,227 | - | 434,038 |
| - | - | - | - | - | - | 7,299 |
| - | - | - | - | - | - | 485,153 |
| 96,696 | 1,361,353 | 161,394 | 5,543 | 1,135,194 | 143,972 | 5,336,523 |
| | | | | | | |
| 57,511 | (32,391) | 31,015 | 1,801 | (291,178) | (126,704) | 511,537 |
| | | | | | | |
| - | - | - | - | - | - | 74,909 |
| - | - | - | - | (303,886) | (11,343) | (322,729) |
| - | - | - | - | (303,886) | (11,343) | (247,820) |
| 57,511 | (32,391) | 31,015 | 1,801 | (595,064) | (138,047) | 263,717 |
| 107,608 | 827,036 | 163,650 | 79,270 | 4,301,128 | 777,089 | 7,932,454 |
| <u>\$ 165,119</u> | <u>\$ 794,645</u> | <u>\$ 194,665</u> | <u>\$ 81,071</u> | <u>\$ 3,706,064</u> | <u>\$ 639,042</u> | <u>\$ 8,196,171</u> |

SCHEDULE 6
TOWN OF SALEM, NEW HAMPSHIRE
Combining Schedule of Custodial Funds Fiduciary Net Position
December 31, 2022

| | Custodial Funds | | | | | Total |
|-------------------------------|-------------------|-------------------|---------------------|-------------------|-----------------------------|---------------------|
| | Taxes | Trust Funds | School Impact Fees | Developer Escrows | Motor Vehicle Registrations | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ 261,674 | \$ 2,372,606 | \$ 942,022 | \$ - | \$ 3,576,302 |
| Intergovernmental receivables | <u>30,603,410</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,603,410</u> |
| Total assets | <u>30,603,410</u> | <u>261,674</u> | <u>2,372,606</u> | <u>942,022</u> | <u>-</u> | <u>34,179,712</u> |
| LIABILITIES | | | | | | |
| Intergovernmental payables: | | | | | | |
| School | <u>30,603,410</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,603,410</u> |
| NET POSITION | | | | | | |
| Restricted | <u>\$ -</u> | <u>\$ 261,674</u> | <u>\$ 2,372,606</u> | <u>\$ 942,022</u> | <u>\$ -</u> | <u>\$ 3,576,302</u> |

SCHEDULE 7
TOWN OF SALEM, NEW HAMPSHIRE
Combining Schedule of Custodial Funds Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022

| | Custodial Funds | | | | | Total |
|---|-------------------|-------------------|---------------------|-------------------|-----------------------------|---------------------|
| | Taxes | Trust Funds | School Impact Fees | Developer Escrows | Motor Vehicle Registrations | |
| Additions: | | | | | | |
| Contributions | \$ - | \$ 11,848 | \$ - | \$ - | \$ - | \$ 11,848 |
| Investment earnings | - | 256 | - | - | - | 256 |
| Motor vehicle registration fees | - | - | - | - | 2,050,430 | 2,050,430 |
| Tax collections for other governments | 71,271,166 | - | - | - | - | 71,271,166 |
| Other | - | - | 488,226 | 256,441 | - | 744,667 |
| Total additions | <u>71,271,166</u> | <u>12,104</u> | <u>488,226</u> | <u>256,441</u> | <u>2,050,430</u> | <u>74,078,367</u> |
| Deductions: | | | | | | |
| Payments to other governments | 71,271,166 | - | - | - | - | 71,271,166 |
| Payments of motor vehicle fees to State | - | - | - | - | 2,050,430 | 2,050,430 |
| Payments for escrow purposes | - | - | - | 205,072 | - | 205,072 |
| Total deductions | <u>71,271,166</u> | <u>-</u> | <u>-</u> | <u>205,072</u> | <u>2,050,430</u> | <u>73,526,668</u> |
| Net increase in fiduciary net position | - | 12,104 | 488,226 | 51,369 | - | 551,699 |
| Net position, beginning | - | 249,570 | 1,884,380 | 890,653 | - | 3,024,603 |
| Net position, ending | <u>\$ -</u> | <u>\$ 261,674</u> | <u>\$ 2,372,606</u> | <u>\$ 942,022</u> | <u>\$ -</u> | <u>\$ 3,576,302</u> |

See Independent Auditor's Report.

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



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

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

Independent Auditor's Report

To the Members of the Town Council and Town Manager
Town of Salem
Salem, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the Town of Salem, as of and for the year ended December 31, 2022, 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 September 18, 2023.

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Town of Salem

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

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. Platt, CPA

September 18,, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association



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

Independent Auditor's Report

To the Members of the Town Council and Town Manager
Town of Salem
Salem, New Hampshire

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Salem's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Salem's major federal programs for the year ended December 31, 2022. The Town of Salem's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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 each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Salem's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting

Town of Salem

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Salem's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Salem's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Salem's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Salem's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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



September 18, 2023
Concord, New Hampshire

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

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 opinions on governmental activities, business-type activities, each major governmental and proprietary fund and
aggregate remaining fund information

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major federal programs:

| <u>Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------------|--|
| 14.228 | Community Development Block Grant/State's Program |
| 21.027 | COVID-19 – Coronavirus State and Local Fiscal Recovery Funds |

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF SALEM, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2022

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity's Identifying Number | Provided to Subrecipients | Federal Expenditures |
|--|---------------------------------|---|------------------------------|-------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <u>Passed Through the New Hampshire Community Development Finance Authority</u> | | | | |
| Community Development Block Grant/State's Program: | | | | |
| Friendship Drive | 14.228 | 20-201-CDPF | \$ 3,000 | \$ 3,000 |
| Depot & Main | 14.228 | 21-201-CDHS | 475,000 | 485,153 |
| <i>PROGRAM TOTAL</i> | | | 478,000 | 488,153 |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| <u>Passed Through the New Hampshire Department of Justice</u> | | | | |
| Violence Against Women Formula Grants | 16.588 | 2020-WF-AX-0021 | - | 20,125 |
| <u>Passed Through the Massachusetts Attorney General Office</u> | | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | N/A | - | 22,681 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | |
| <u>Passed Through the State of New Hampshire Department of Transportation</u> | | | | |
| Highway Planning and Construction: | | | | |
| NH Routes 28 & 97 Intersection Reconstruction "The Depot" | 20.205 | 12334 | - | 832,731 |
| Rail Trail Phase VI | 20.205 | 41750 | - | 15,705 |
| Highway Planning and Construction - Rt 111/Ermer Rd Intersection | 20.205 | 43790 | - | 21,022 |
| CMAQ/ITS | 20.205 | 42884 | - | 46,659 |
| <i>PROGRAM TOTAL</i> | | | - | 916,117 |
| <u>Passed Through the New Hampshire Department of Safety</u> | | | | |
| State and Community Highway Safety: | | | | |
| DWI Patrols | 20.600 | #21-165 | - | 8,167 |
| Distracted Driving | 20.600 | #21-165 | - | 1,457 |
| SPEED | 20.600 | #21-165 | - | 4,677 |
| U Drive, U Text, U Pay | 20.600 | #21-165 | - | 651 |
| Join the Clique | 20.600 | #21-165 | - | 850 |
| Drive Sober or Get Pulled Over | 20.600 | #21-165 | - | 882 |
| <i>PROGRAM TOTAL</i> | | | - | 16,684 |
| U.S. DEPARTMENT OF TREASURY | | | | |
| <u>Passed Through the State of New Hampshire</u> | | | | |
| Governor's Office for Emergency Relief and Recovery (GOFERR) | | | | |
| COVID-19 - Coronavirus Relief Fund | 21.019 | N/A | - | 35,334 |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Stormwater Drainage | 21.027 | N/A | - | 6,275 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| <u>Passed Through the New Hampshire Department of Safety</u> | | | | |
| Drinking Water State Revolving Fund - Asset Management Grant | 66.468 | N/A | - | 12,782 |
| EXECUTIVE OFFICE OF THE PRESIDENT | | | | |
| <u>Passed Through the Town of Scarborough, Maine</u> | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | N/A | - | 7,718 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| <u>Passed Through the New Hampshire Department of Safety</u> | | | | |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4516-DR-NH | - | 8,861 |

(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, 2022

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity's Identifying Number | Provided to Subrecipients | Federal Expenditures |
|---|---------------------------------|---|------------------------------|----------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <u>Passed Through the New Hampshire Community Development Finance Authority</u> | | | | |
| DIRECT FUNDING | | | | |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | N/A | - | 25,000 |
| Equitable Sharing Program | 16.922 | N/A | - | 96,697 |
| U.S. DEPARTMENT OF TREASURY | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | - | 1,016,072 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| Homeland Security Grant Program - LETPA | 97.067 | EMW-2020-SS-00045-S01 | - | 25,000 |
| <i>Total Expenditures of Federal Awards</i> | | | | |
| | | | <u>\$ 478,000</u> | <u>\$ 2,697,499</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, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Town of Salem under programs of the federal government for the year ended December 31, 2022. 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.